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LEGISLATIVE SERVICE ORGANIZATIONS

COMPLETED ORIGINAL

REPORT

OF THE

AD HOC SUBCOMMITTEE ON LEGISLATIVE SERVICE ORGANIZATIONS

OF THE

COMMITTEE ON HOUSE ADMINISTRATION HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

SECOND SESSION

RELATING TO THE LEGISLATIVE SERVICE ORGANIZATIONS
AND APPLICABLE REGULATIONS

JUNE 24, 1982

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STAFF DIRECTOR AND GENERAL COUNSEL

Congress of the United States
House of Representatives
COMMITTEE ON HOUSE ADMINISTRATION
Suite H-326, U.S. Capitol
Washington, D.C. 20515

July 29, 1982

Honorable Augustus F. Hawkins
Chairman
Committee on House Administration
House of Representatives
Washington, D.C. 20515

Dear Chairman Hawkins:

The Ad hoc Subcommittee, at its meeting of June 24, 1982, adopted the enclosed report, Relating to the Legislative Service Organizations and Applicable Regulations, and hereby transmits the report and requests that it be printed as a Committee Print.

The Ad hoc Subcommittee would like to take this opportunity to acknowlege and express its appreciation to those members of the staff of the Committee on House Administration who served as support staff to the Ad hoc Subcommittee: Ellen A. McCarthy, Information Officer for Regulations and Allowances; Louis Alexander, Senior Legislative Analyst for the Minority; Ruby Hopkins, Assistant Clerk for the Majority; Victoria Z. Link, Assistant Clerk for the Minority; and Robert S. McGuire, former Auditor, whose staff direction in the initial stages of the review and consideration of the regulations enabled the staff to conduct and complete the subject review and the research necessary to produce the report in as timely a manner as possible.

With best wishes,

Sincerely,

William R. Ratchford

William R. Ratchford
Chairman
Ad hoc Subcommittee on Legislative
Services Organization

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INTRODUCTION

The Committee on House Administration, at its meeting of September 22, 1981, established an Ad hoc Subcommittee on Legislative Service Organizations. The Honorable William R. Ratchford of Connecticut was designated Chairman; the Honorable Al Swift of Washington and the Honorable Gary A. Lee of New York were appointed to serve on the Ad hoc Subcommittee.

The Ad hoc Subcommittee was assigned the jurisdiction to study the regulations governing the conduct of legislative service organizations, the applicability of the Rules of the House of Representatives to their operation, and the scope of their financial activities.

The Chairman of the Committee on House Administration, the Honorable Augustus F. Hawkins, instructed the Ad hoc Subcommittee to conduct such investigations and studies as it deemed necessary, and to report back, with recommendations, to the Committee within thirty days.

LEGISLATIVE SERVICE ORGANIZATIONS: DEFINITION AND BACKGROUND

The term 'legislative service organization' refers to a particular category of informal groups, or caucuses, of the House of Representatives. In regulations adopted by the Committee on House Administration in 1979, a legislative service organization was defined as "any organization, committee, commission, coalition, caucus, or similar group consisting in whole or in part of Members of the House, designed primarily to provide legislative services and assistance to members of such organization, which has no official status under the Rules of the House or of the majority or minority caucuses, but receives, directly or indirectly, support from the House of Representatives . . ."

Prior to 1970, there existed only three caucuses, or informal groups, organized to provide legislative support: the Democratic Study Group, the House Wednesday Group, and the Members of Congress for Peace through Law. Recent years, however, have witnessed a proliferation in the number of caucuses reflecting ideological, regional, industrial, economic, or other specific issue concerns.

Some of the caucuses are quite informally structured—i.e., associations of Members with no personnel, no office space, and no funding of any kind. In contrast, other groups employ staff, prepare and distribute legislative analyses on a regular basis, and occupy permanent facilities; their activities being financed by a mix of congressional funds and outside monies. The caucuses which meet the criteria specified in the 1979 regulations of the Committee on House Administration have been classified as legislative service organizations. As of September 22, 1981, the date on which the Ad hoc Subcommittee was established, twenty-six groups had been so classified.

Legislative service organizations offer Members a forum to advance shared legislative goals. However, the operation of such organizations has not been without criticism. Questions have arisen concerning their funding practices, while the ambiguity of their status within the House has prompted demands for clarification.

COMMISSION ON ADMINISTRATIVE REVIEW

The first attempt to define the parameters of informal groups or caucuses was undertaken by the Commission on Administrative Review in 1977. As an outgrowth of the Commission's study of the administrative structure of the House of Representatives, a series of proposals relating to these groups was incorporated in House Resolution 766.

The primary goal of the Commission's recommendations was to institute accountability for the spending of public monies by those groups receiving House funds. Accordingly, as recommended, any caucus of Members using publicly financed resources of the House of Representatives or of its Members (for example, clerk hire, office space, or equipment)—and which also received financial assistance or in-kind support from sources outside the House—would be required to file an annual report with the Committee on House Administration. Among other information, this report was to include a listing of all receipts and disbursements aggregating $100 or more during the year and the names of all employees.

Further, the recommendation provided that a caucus which met certain criteria could request certification as a "legislative service organization". As a condition of receiving certification, such groups would be prohibited from receiving monetary or in-kind contributions from sources outside the House of Representatives. Groups designated as "legislative service organizations" would be permitted to establish clerk hire accounts under the supervision of the chief financial officer of the House of Representatives. Members would be allowed to allocate a portion of their clerk hire allowance to such accounts from which the staff employed by the "legislative service organization" would be compensated. The intent was to foster greater stability and effectiveness in the office operations of both Members and the affected caucuses.

However, as the rule providing for the consideration of House Resolution 766 was defeated on the floor on October 12, 1977, the Commission's package of recommendations was never formally considered by the full House.

SELECT COMMITTEE ON ETHICS

Established on March 9, 1977 to implement the new financial ethics code adopted by the House of Representatives, the Select Committee on Ethics was directed to provide guidelines and interpretations concerning House Rules XLIII through XLVIII.

In its final report (H. Rept. 95-1837), issued on January 3, 1979, the Select Committee addressed the question of the receipt of funds by caucuses from outside sources. The Committee expressed the view that caucuses were exempt from the language in Rule XLV which prohibited the establishment of unofficial office accounts:

> The prohibition of unofficial office accounts does not apply to informal groups of Members, such as the Democratic Study Group, Congressional Black Caucus, Environmental Study Conference, and similar ad hoc caucuses which customarily raise private contributions to defray their operating expenses. Rule XLV applies only to private contributions to supplement a Member's official allowances. Obviously, however, Members could not form a "paper caucus" in order to circumvent the rule by raising funds for their own official purposes.

With regard to Rule XLIII, the report failed to clarify whether clause 4 (prohibiting gifts to Members, officers, or employees of the House of Representatives aggregating $100 or more in value in any calendar year, directly or indirectly, from any person having a direct interest in legislation before the Congress) or clause 7 (requiring the proceeds of fund-raising events to be treated as campaign contributions) were applicable to the caucuses.

In an advisory opinion of April 4, 1979, the Committee on Standards of Official Conduct determined that caucuses were exempt from Rule XLIII, clause 11, which prohibited a Member of the House from authorizing or allowing a non-House individual, group, or organization to use the words "Congress of the United States", "House of Representatives", or "Official Business", or any combination thereof on any letterhead or envelope. As stated in the advisory opinion:

> . . . nor would (the prohibition of clause 11) apply to the various informal Member organizations, or caucuses composed solely of Members of Congress. These ad hoc Member groups, which are quasi-official in nature . . . would not be considered "non-House organizations" for purposes of Rule XLIII, clause 11.

COMMITTEE ON HOUSE ADMINISTRATION: 1979 REGULATIONS

On July 18, 1979, the Committee on House Administration, acting on the recommendation of the Subcommittee on Accounts, promulgated the first regulations governing the conduct of informal groups. The committee order only applied, however, to certain groups, those designated as "legislative service organizations".

As defined, a legislative service organization was "any organization, committee, commission, coalition, caucus, or similar group consisting in whole or in part of Members of the House, designed primarily to provide legislative services and assistance to the members of such organization, which has no official status under the Rules of the House or of the majority or minority caucuses, but receives, directly or indirectly, support from the House of Representatives and such support shall include, but not be limited to, disbursements from a Member's Clerk Hire Allowance or Allowance for Official Expenses, office space controlled by the House Office Building Commission, or furniture, supplies, or equipment."

Pursuant to the committee order, a legislative service organization was required to submit a semi-annual report to the Clerk of the House (commencing with the period January 1–June 30, 1980) including, among other information, a listing of officers and employees, a summary of funds received and disbursed during the reporting period, and an itemization of all receipts and disbursements of $1,000 or more in the aggregate. Additionally, the regulations required that the Chairman or senior House Member of each legislative service organization certify as to the amount of employee salaries, the physical location of each employee, and the regular performance of official duties.

Following the adoption of these regulations, the Committee on Standards of Official Conduct and the Committee on House Administration continued, through an exchange of correspondence, to examine the questions associated with legislative service organizations.

In early 1981, Chairman Augustus F. Hawkins of the Committee on House Administration directed committee staff to undertake a study of legislative service organizations and to evaluate the regulations governing their conduct. In response to the Chairman's request, the committee staff prepared a draft proposal which was circulated, on September 11, 1981, to the legislative service organizations for comment. During this same period, several investigative reports by the media analyzed the legislative influence and detailed the financial activities of a number of legislative service organizations. Also, at this time, the Better Government Association initiated a study on legislative service organizations—and, on September 18, transmitted its findings in a memorandum to the Chairman of the Committee on House Administration. In this memorandum the Better Government Association delineated the problems which it believed these organizations posed with respect to the ethics provisions in the Rules of the House.

AD HOC SUBCOMMITTEE ON LEGISLATIVE SERVICE ORGANIZATIONS

On September 22, 1981, the Committee on House Administration established the Ad hoc Subcommittee on Legislative Service Organizations. In proposing the creation of an Ad hoc Subcommittee, Chairman Augustus F. Hawkins outlined certain problems relating to legislative service organizations which had been brought to the attention of the Committee. Specifically, these involved whether legislative service organizations were in compliance with the Rules of the House of Representatives, and additionally, whether a limitation or prohibition should be imposed on the receipt of outside money by these organizations.

The Ad hoc Subcommittee's organizational meeting of September 23, 1981 represented the first in a series of Subcommittee sessions held to evaluate and discuss possible revisions to the regulations applicable to the legislative service organizations. Although there was a consensus that the existing guidelines were inadequate, the Ad hoc Subcommittee confronted numerous, often conflicting, suggestions for reform which had been advanced by legislative service organizations, individual Members, and outside groups. The Ad hoc Subcommittee directed its efforts to ensure that the recommendations approved would be well-integrated and equitable, and that all possible consequences would be fully explored prior to their adoption and implementation. As noted, the Ad hoc Subcommittee had been directed by the full Committee to complete its task within a thirty day period.

On October 1, the Ad hoc Subcommittee conducted a hearing to review the present status of legislative service organizations and to solicit opinions on the various reforms proposed. Prior to the hearing, a detailed list of questions had been transmitted to each legislative service organization—covering such areas as funding sources, disclosure requirements, affiliated institutes, and services offered.

The Chairmen or representatives of eight legislative service organizations testified at the hearing while four others submitted statements for the record.

Testimony was also presented by three individual Members of Congress. Representative Bethune expressed his concern that, with formalized caucuses, certain special interests were able to secure a favored position in the legislative process; he proposed that caucuses, with the exception of the Democratic Caucus and Republican Conference, be denied all funding from congressional, as well as from outside sources. Minority Leader Robert Michel outlined certain negative institutional effects resulting from the proliferation of caucuses; he noted that such caucuses often compete with and, at times, supplant the formal leadership and the committee structure. Representative Bill Frenzel, ranking minority member of the Committee on House Administration, endorsed the need for immediate revision and recommended that groups wishing to retain LSO status and residency on the Hill should only be allowed to receive financial support from congressional allowances and Members' dues, and not from outside sources.

Also testifying were representatives of the Better Government Association. Their statement expressed the belief that certain fund-raising activities employed by some of the legislative service organizations contravened the spirit and intent of the rules of the House of Representatives. However, the Better Government Association conceded that there was no indication or suggestion that any of the legislative service organizations had engaged in other activities which were inappropriate. Indeed, this fact was repeatedly stressed throughout the Ad hoc Subcommittee's deliberation. Beyond the criticisms directed at the fund-raising activities of certain LSO's, there did not appear to be any indication that legislative service organizations had misused their financial resources. Yet there was general agreement that LSO fund-raising created an appearance of impropriety and the potential for improper conduct.

The hearing concluded with testimony by Representative Louis Stokes, Chairman of the Committee on Standards of Official Conduct. Chairman Stokes focused on the issue of the applicability of the Rules of the House of Representatives to such groups. He stated the principle that whatever conduct Members are prohibited from engaging in as individuals, they should also be prohibited from engaging in collectively. Therefore, in his judgment, legislative service organizations should likewise be obligated to comply with the prescriptions incorporated in the Rules of the House.

Subsequent to the hearing, the Ad hoc Subcommittee met to review the proposals submitted. Four issues were central to the Ad hoc Subcommittee's deliberation: the imposition of limits on outside funding, the adoption of new disclosure requirements, the nexus between legislative service organizations and related non-profit institutes, and the establishment of effective dates.

Outside funding.—That legislative service organizations had actively pursued funding from non-congressional sources was a catalyst for the creation of the Ad hoc Subcommittee and the re-evaluation of the current regulations. In 1980 alone, as the Better Government Association documented, legislative service organizations raised over one million dollars from corporations, private individuals, labor unions, and other outside sources. It should be noted that outside fund-raising was not a universal practice; certain legislative service organizations had elected to restrict their support solely to funds derived from congressional allowances.

The Ad hoc Subcommittee recognized the fact that several legislative service organizations were substantially dependent on outside funds. Indeed, there was a serious concern that caucuses which were limited by their very nature (such as the Congressional Black Caucus or the Congressional Hispanic Caucus) might be incapable of sustaining their activities if a blanket prohibition on outside funding were imposed. During the hearing and in communications to the Ad hoc Subcommittee, recommendations were suggested to permit some degree of outside funding—for example, by allowing outside funding up to a certain specified percentage of the annual income or expenses of a legislative service organization, or by imposing a limit on the amount of funds which could be received from any one source.

Yet a dependency on any amount of outside funding was, to many observors, a marked departure from an adherence to the spirit and strict interpretation of the Rules of the House. Pursuant to the ethics reforms adopted in 1977, Members were prohibited from intermingling public and private funds (through the artifice of "unofficial office accounts") in the operation of their personal offices. The Ad hoc Subcommittee affirmed that Members should not be allowed to do collectively—through a legislative service organization—what the Rules of the House prohibited Members from doing individually. The standards set forth in the Rules of the House, the Ad hoc Subcommittee advocated, should be viewed as all-encompassing and should equally apply to the legislative service organizations. With that judgment, the Ad hoc Subcommittee endorsed a ban on outside funding with the exception that Members would be allowed to pay dues or assessments to the legislative service organizations from their personal funds.

During the discussion on outside funding, the Ad hoc Subcommittee also considered the merits of allowing an exception relating to publication income. Several of the caucuses published newsletters and legislative analyses which had attracted numerous non-congressional subscribers. There appeared, to the Ad hoc Subcommittee, a recognizable and justifiable distinction between monies obtained through general fund-raising and monies received from subscription payments. However, the subscription issue foundered on the question of what constituted an acceptable basis for determining subscription charges—whether legislative service organizations should be allowed to recoup the "direct cost" of their publications or whether they should merely be allowed to offset the "postage cost". Recommendations defining "direct cost", as submitted to the Ad hoc Subcommittee, ranged from covering the expenses for supplies, printing and postage, to encompassing the salaries of the employees responsible for production. The Ad hoc Subcommittee rejected the "direct cost" concept due to definitional problems and the realization that its application would be inconsistent with the effort to maintain a segregation between public and private monies. On the other hand, "postage cost" reimbursement, which would not produce any net gain or profit for the LSO, did not appear to constitute outside support. However, in its redraft of the regulations, the Ad hoc Subcommittee decided not to allow reimbursement for subscription postage cost, with the understanding that the postage cost issue would be reevaluated at the Subcommittee's final markup.

A few legislative service organizations, due to the success of their outside fund-raising activities, had accumulated budget surpluses. As these funds had been raised in accordance with the then existing regulations, the Ad hoc Subcommittee determined that such legislative service organizations would be permitted to draw down on these balances in the normal course of their operation.

The Ad hoc Subcommittee also considered allowing the legislative service organizations to receive certain types of in-kind assistance from sources other than Congress or its Members. It was agreed that legislative service organizations should be free to take advantage of educational intern, fellowship, or volunteer programs on the identical terms and conditions applicable to Members and Committees of the House, i.e., programs which are "primarily of educational benefit to the participating interns, fellows, or volunteers". However, in accordance with the prohibition on outside funding, the Ad hoc Subcommittee forbade legislative service organizations from raising, receiving, or disbursing any private contributions for such programs.

Further, legislative service organizations would be permitted (as are individual Members) to distribute reports or research material prepared, in whole or in part, by outside groups or individuals. The Subcommittee stipulated, however, that the source of any such material must be clearly identified thereon.

Finally, the Subcommittee specified that if any present legislative service organization or any other group organized for a legislative purpose was unable to comply with the regulations, it would not be allowed to occupy space under the control of the House of Representatives and would not be permitted to receive any support from the House, or from individual Members through their congressional allowances.

Disclosure.—Under the existing regulations, adopted in 1979, legislative service organizations were required to file semi-annual disclosure statements providing limited information on finances and employees.

The Ad hoc Subcommittee concluded that the six month reporting period was not sufficiently timely and adopted a quarterly filing requirement, thereby conforming legislative service organization disclosure reports to the timeframe utilized by the Clerk in publishing the *Report of the Clerk of the House* on the financial activities of Member, leadership, and committee offices.

The Ad hoc Subcommittee further revised the reporting format to provide more adequate public disclosure, requiring: itemization of all disbursements; salary data on legislative service organization employees; name and sponsor of all interns, fellows, and volunteers; and information on all reports and analyses distributed by the legislative service organization to Members of Congress which had been prepared in whole, or in part, by individuals other than those employed by the legislative service organization.

Effective Dates.—The Ad hoc Subcommittee determined that the revisions to the regulations should be implemented as soon as practicable. Three alternative dates were discussed at length—January 1, 1982; July 1, 1982; and January 1, 1983. As previously noted, despite the criticisms stemming from the outside funding of legislative service organizations, no hint of any impropriety had surfaced during the Ad hoc Subcommittee's review. An immediate adoption of the proposed changes was therefore perceived unnecessary; a transition period whereby legislative service organizations could accommodate their operations to the new guidelines seemed appropriate.

The Ad hoc Subcommittee agreed that legislative service organizations should be allowed to function under the existing regulations basically for the remainder of the 97th Congress—and adopted an effective date of January 1, 1983.

Institutes.—In recent years, several legislative service organizations—including the Congressional Black Caucus, the Congressional Clearinghouse on the Future, the Congresswomen's Caucus, the Members of Congress for Peace through Law, the Northeast-Midwest Congressional Coalition, the New England Congressional Caucus, and the Congressional Arts Caucus—had established affiliated, non-profit research institutes or foundations which provided various services and/or in-kind assistance to the parent caucus.

The Ad hoc Subcommittee recognized that, potentially, the relationships between legislative service organizations and the institutes might effectively thwart any reforms approved. As the Ad hoc Subcommittee's jurisdiction did not extend to the activities of these institutes and foundations, the panel decided to recommend to the full Committee that the legislative service organization-institute nexus be the focus of vigorous and ongoing oversight.

AD HOC SUBCOMMITTEE MARKUP

On October 7th, the Ad hoc Subcommittee circulated the revised draft of proposed changes to the twenty-six legislative service organizations. The overall thrust was embodied in the preamble which set forth the principle that legislative service organizations were groupings of Members pooling their resources to pursue a common legislative goal. The organizations were to be considered extensions of Members' individual offices and bound, generally, by the rules and regulations which apply to congressional allowances. Specific criteria were enumerated in the regulations with which groups must comply in order to be designated as legislative service organizations.

On October 15th, the Ad hoc Subcommittee met to review the comments received, to consider amendments to the draft proposal, and to report a final recommendation to the full Committee. As stated by Subcommittee Chairman Ratchford at the meeting:

> These recommendations accept the fact that over the past decade there has been an intense growth of the caucus phenomenon in Congress, accept the fact that these groups do provide services to the Members. . . but accept the fact also that they present a conflict as far as their relationship to Members of Congress, the Congress as an institution, to our rules, regulations and specifically to our standards of official conduct.

Chairman Ratchford further noted that the draft proposal sought to distinguish between public funds provided through clerk hire accounts or official expense allowances and those funds contributed or received from private sources, to stipulate a period during which the new guidelines would be implemented, and to establish detailed and appropriate reporting requirements.

During the Ad hoc Subcommittee meeting, several amendments were considered, including:

Reporting Threshold.—The language in the October 7th draft required that legislative service organizations fully disclose each disbursement made. However, two groups—the Republican Study Committee and the Democratic Study Group—recommended, in response to the draft, that a minimum reporting threshold be established. Such a modification, it was perceived, would avoid the imposition of unduly burdensome and unnecessary reporting requirements.

For the quarterly reporting periods, the Democratic Study Group had suggested a $300 threshold; the Republican Study Committee had advanced a threshold of "in excess of $100 in the aggregate during the quarter". The Ad hoc Subcommittee judged that a threshold parallel to that required in the Federal Election Campaign Act of 1971—i.e. "in excess of $200"—would be appropriate. An amendment was approved incorporating language requiring that only those disbursements to a single source, which aggregate in excess of $200 during the reporting period, be disclosed.

Effective Date—Reporting Requirements.—Although the draft designated an effective date of January 1, 1983, the Ad hoc Subcommittee debated the merits of stipulating an earlier date for the quarterly report provision. The Ad hoc Subcommittee anticipated that an earlier date would not disrupt LSO activities, but would prove beneficial in ensuring more adequate and responsive public disclosure. Consequently, an amendment was approved which established a two-tiered effective date—January 1, 1982 for the reporting requirements and January 1, 1983 for the remainder of the regulation package.

In addition, the Ad hoc Subcommittee approved an amendment that, for the period January 1,1982 through January 1, 1983, legislative service organizations would be required to report the receipt of funds aggregating in excess of $200 from a single source during the reporting period, except for clerk hire.

The Ad hoc Subcommittee also reaffirmed that legislative service organizations established after the adoption of new regulations by the full Committee on House Administration would be obligated to comply immediately with the new regulations, and not be accorded any grace or transition period.

Caucus Appropriation for Administrative Costs.—The Northeast-Midwest Congressional Coalition had proposed that, in conjunction with the new regulations, the Ad hoc Subcommittee recommend that an appropriation be provided to eligible caucuses for administrative support. The Ad hoc Subcommittee expressed the view that this approach entailed significant changes to institutional arrangements and, subsequently, tabled the proposal.

Interest Income on Dues.—The draft regulations prohibited legislative service organizations from depositing dues or other assessments from its Members in interest bearing accounts. As individual Members are precluded from drawing on their official allowances and depositing them in interest bearing accounts, the Ad hoc Subcommittee believed that an identical standard should be applied to the legislative service organizations.

Subscription Fees.—As indicated, the October 7th draft did not incorporate any exemption allowing legislative service organizations to recover the postage cost of mailing newsletters and legislative reports to non-congressional subscribers. The Ad hoc Subcommittee, during final markup, reaffirmed this position rejecting any exemption for postage costs.

Subsequent to the adoption of several technical amendments, a motion to approve the regulations, as amended, was offered by Representative Swift, seconded by Representative Lee, and approved by voice vote. Permission to file additional views was granted to both Representatives Lee and Swift.

FULL COMMITTEE CONSIDERATION

On October 21st, the full Committee on House Administration considered the recommendations reported by the Ad hoc Subcommittee on Legislative Service Organizations and several amendments thereto.

Representative Lee offered an amendment in the nature of a substitute to deny legislative service organizations and all other caucuses funding and support, from congressional as well as from outside sources. The two formal party structures—the Republican Conference and the Democratic Caucus, and their subunits—would be exempted from this prohibition. Although Representative Lee stated his belief that the Ad hoc Subcommittee's recommendation represented beneficial reforms, in his judgment, these refinements alone were insufficient to address the institutional concerns associated with the growth of legislative service organizations and their competition with the committee and leadership structures. On a voice vote, the Committee defeated the amendment.

Representative Swift offered an amendment requiring those groups which intended to seek certification as a legislative service organization pursuant to the new regulations to make an "irrevocable election" to the Commitee on House Administration by January 1, 1982. Organizations making such an election would be required to relinquish all outside support as of that date, with the sole exception of subscription income from ongoing publications. Receipt of subscription income would be permitted through December 31, 1982. An amendment by Representative Frenzel to strike the exemption for subscription income was defeated by a division of 6-7. Subsequently, the Swift amendment was approved by voice vote.[1]

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[1] In response to a letter from Chairman Hawkins, twenty-five of the twenty-six organizations classified as legislative service organizations under the regulations in existence prior to October 21, 1981, indicated their intent to seek LSO status under the new guidelines. As a result of this notification, the twenty-five organizations were obligated to cease all outside fund-raising and terminate any outside support as of January 1, 1982, except for subscription income from ongoing publications. Only the Congressional Hispanic Caucus declined to seek such status; consequently, the caucus will be obligated to vacate its office, located in House space, and terminate any support received from congressional allowances by January 1, 1983.

Since the adoption of the new regulations, five new legislative service organizations have been established—Congressional Caucus for Science and Technology, Congressional Space Caucus, Congressional Territorial Caucus, Military Reform Caucus, and the Ninety-Seventh New Members Caucus. These five organizations are subject to the new regulations, effective of the date of their certification.

By voice vote, the Committee approved an amendment by Representative Frenzel to assure that the Committee on House Administration retained the authority to determine whether a caucus met the criteria specified for status as a legislative service organization.

By voice vote the Committee approved the regulations as amended. On recommendation of the Chairman of the full Committee, Mr. Hawkins, the charter of the Ad hoc Subcommittee was extended for the remainder of the 97th Congress. The Ad hoc Subcommittee was assigned the responsibility of overseeing the implementation of the regulations and monitoring compliance.

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REGULATIONS ADOPTED BY THE COMMITTEE ON HOUSE ADMINISTRATION ON OCTOBER 21, 1981

LEGISLATIVE SERVICE ORGANIZATIONS

A Legislative Service Organization is a grouping of Members who pool resources to pursue a common legislative goal. The organization thus formed operates as an extension of their individual offices, and coordinates their efforts for reasons of efficiency and effectiveness. Since such organizations are extensions of Members' offices, the staff may be paid from the Clerk Hire Allowance and administrative costs may be paid in the form of dues or assessments from the Allowance for Official Expenses. Members are allowed to pay dues or assessments from personal funds or their Allowances for Official Expenses to insure a dependable resource to pay fluctuating administrative costs, the management of which would otherwise be burdensome to the membership.

1. For purposes of this regulation a Legislative Service Organization is defined as any congressional caucus, committee, coalition or similar group which—

(a) Consists solely of Members of the House or Members of the House and Senate;

(b) Is operated solely to provide legislative services or other assistance to the Members thereof in the performance of their official duties;

(c) Receives support from Members of Congress via their allowances, or from the House itself in the form of office space, furniture, furnishings, telephone service, etc.;

(d) Receives no income or contributions, either in cash or in-kind, from any source other than the Congress or its Members, except as noted in paragraphs 3 and 8;

(e) Is neither incorporated nor holds a separate tax-exempt status under the Internal Revenue code;

(f) Is sponsored by 30 Members of the House or two-thirds of the organization's total membership, whichever is less, who shall attest, in a statement filed with the Committee on House Administration at establishment and by May 1 of each even-numbered year thereafter, that the organization is to provide bona fide legislative services or assistance which supports them in the performance of their official duties.

2. Any organization which the Committee on House Administration determines meets the criteria set forth in paragraph 1 shall be granted status as a Legislative Service Organization by the Committee on House Administration and shall comply with all applicable regulations and House Rules.

3. Legislative Service Organizations may take advantage of educational intern, fellowship or volunteer programs when the programs are primarily of educational benefit to the participating interns, fellows or volunteers. However, the Legislative Service

Organization may not raise, receive or disburse any private contributions for programs associated with it.

4. Any caucus, committee, coalition or similar group organized to provide legislative service which receives contributions or any form of income, either direct or in-kind, from any source other than the Congress or its Members (except as noted in paragraphs 3 and 8) shall not be located in space under control of the House and shall receive no other support from the House or from Members of the House via their allowances.

5. Any Legislative Service Organization which pays it employees directly in addition to or instead of paying them through clerk-hire provided by Members, shall withhold Federal income and F.I.C.A. taxes and shall forward such amounts to the U.S. Treasury as required by law, and shall pay such employer F.I.C.A. taxes and D.C. unemployment compensation taxes as are required by Federal and D.C. statutes. However, the total sum paid to any employee from all sources shall not exceed the highest rate of basic pay, as in effect from time to time, of level IV of the Executive Schedule in section 5315 of title 5, United States Code.

6. When a Member authorizes a person working for a legislative service organization to be compensated in part or in full from said Member's Clerk Hire Allowance, the Clerk of the House shall disburse salary payments to such employee only upon a monthly certification by said Member of the identification of the legislative service organization for which the employee has performed duties. This certification shall be included as part of the Member's monthly Clerk Hire Allowance certification. And, in addition, the Clerk of the House shall disburse salary payments from the Clerk Hire Allowance of said Member to such person only upon a monthly certification by the Chairman or Ranking House Member of the organization as to the amount of said salary, the performance of assigned official duties in Washington, D.C., the identification of said Member, and the relationship, if any, of each employee to any current Member of Congress.

7. A Legislative Service Organization which collects dues or assessments from its Members may not use such dues or assessments to generate additional income from other sources (e.g. interest bearing accounts, certificates of deposit, etc.).

8. Legislative Service Organizations may distribute to Members of Congress any report, analysis or other research material prepared in whole or in part by persons other than persons employed by said Legislative Service Organization. However, the identity of the person and/or organization which prepared or assisted in the preparation of said research material shall be fully disclosed thereon.

9. Each Legislative Service Organization shall submit a quarterly report to the Clerk of the House not later than 30 days after the end of the reporting period which shall be available to the public through the Office of Records and Registration. Each report shall contain:

(a) The name, business address, officers and number of Members of the organization;

(b) Total receipts for the quarter including clerk-hire, and a summary of said receipts by category (e.g., clerk-hire, or dues);

(c) Total disbursements for the quarter plus a listing of the recipient, purpose and amount of all disbursements in excess of $200 in the aggregate during the quarter;

(d) A listing of the name, business address, and job title of all persons employed by the organization, their total compensation during the quarter and the dates of their employment;

(e) Name and sponsor of all interns, fellows or volunteers associated with the Legislative Service Organization under the provision of paragraph 3 of these regulations;

(f) A general description of the legislative services or other assistance which the Legislative Service Organization provided to its members during the quarter;

(g) A listing of all reports, analyses or other material provided to members during the quarter which were prepared in whole or in part by persons other than persons employed by said Legislative Service Organization, and the identity of the person and/or entity which provided such assistance; and

(h) A copy of the sponsorship statement required by subparagraph 1(f).

10. This regulation shall not apply to informal pool arrangements whereby Members share staff in accordance with other regulations promulgated by the Committee on House Administration governing the use of Member's Clerk Hire.

11. The effective date of these regulations shall be January 1, 1983, except that the provisions of paragraph 9 a through g shall be effective January 1, 1982 and the reporting requirements of paragraph 9b shall include the reporting of receipts from all sources by category and by specific source when in excess of $200 in the aggregate during the quarter.

12. Organizations intending to seek certification under these regulations shall make an irrevocable election to the Committee on House Administration by January 1, 1982, and the provisions of Section 1(d) of these regulations will be applicable immediately, except for subscription income from ongoing publications.

13. Adopted by the Committee on House Administration on October 21, 1981.

SCHEDULE A

ITEMIZED RECEIPTS

Use Schedule A to itemize all receipts in excess of $200 in the aggregate during the quarter. Use additional Schedules A, if necessary.

Name of Legislative Service Organization

CATEGORY*	SOURCE	AMOUNT

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*Under "Category" state clerk hire, dues, or if other source, specify source.

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SCHEDULE B

ITEMIZED DISBURSEMENTS

Use Schedule B to itemize all disbursements in excess of $200 in the aggregate during the quarter. Use additional Schedules B, if necessary.

Name of Legislative Service Organization

RECIPIENT	PURPOSE	AMOUNT

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Name of Organization ______________________

Business Address ______________________

Officers of Organization ______________________

Number of Members of the Organization ______________________

Office of the Clerk

Legislative Service Organizations
Quarterly Report

Due Not Later Than 30 Days After the Close of the Reporting Period

Period Covered: ______________ Through ______________

RECEIPTS

Total Receipts from Clerk Hire.......... $________

Total Receipts from Dues.......... $________

Total Receipts from Other Source*.......... $________

*Specify source ______________________

Grand Total for the Quarter.......... $________

(USE SCHEDULE A FOR ITEMIZATION OF RECEIPTS AGGREGATING IN EXCESS OF $200 DURING THE QUARTER)

DISBURSEMENTS

Grand Total for the Quarter.......... $________

(USE SCHEDULE B FOR ITEMIZATION OF DISBURSEMENTS AGGREGATING IN EXCESS OF $200 DURING THE QUARTER)

EMPLOYEE INFORMATION

NAME	BUSINESS ADDRESS	JOB TITLE	TOTAL COMPENSATION DURING QUARTER	DATES OF EMPLOYMENT

ADDITIONAL INFORMATION REQUIRED ON REVERSE SIDE

Legislative Service Organizations
Quarterly Report

INTERNS, FELLOWS OR VOLUNTEERS

Name	Sponsor

GENERAL DESCRIPTION OF LEGISLATIVE SERVICES OR OTHER ASSISTANCE PROVIDED BY THE LEGISLATIVE SERVICE ORGANIZATION TO ITS MEMBERS DURING THE QUARTER

REPORTS, ANALYSES OR OTHER MATERIAL PROVIDED TO MEMBERS DURING QUARTER WHICH WERE PROVIDED IN WHOLE OR IN PART BY PERSONS OTHER THAN PERSONS EMPLOYED BY SAID LEGISLATIVE SERVICE ORGANIZATION

Report, Analysis or Other Material	Person and/or Entity Which Provided Such Assistance

1. Attach Schedules A and B, if applicable.
2. Use additional sheet(s), if necessary.
3. Attach a copy of your sponsorship statement filed with the Committee on House Administration at establishment or by May 1 of each year thereafter.

PLEASE RETURN ALL FORMS TO:

The Clerk, U.S. House of Representatives
Office of Records and Registration
1036 Longworth House Office Building
Washington, D.C. 20515

Signed: ....
(Chairman)

Date: ...., 19.......

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REGULATIONS APPROVED BY THE AD HOC SUBCOMMITTEE ON LEGISLATIVE SERVICE ORGANIZATIONS ON OCTOBER 15, 1981, WITH ADDITIONAL VIEWS

LEGISLATIVE SERVICE ORGANIZATIONS

A Legislative Service Organization is a grouping of Members' who pool resources to pursue a common legislative goal. The organization thus formed operates as an extension of their individual offices, and coordinates their efforts for reasons of efficiency and effectiveness. Since such organizations are extensions of Members' offices, the staff may be paid from the Clerk Hire Allowance and administrative costs may be paid in the form of dues or assessments from the Allowance for Official Expenses. Members are allowed to pay dues or assessments from personal funds or their Allowances for Official Expenses to ensure a dependable resource to pay fluctuating administrative costs, the management of which would otherwise be burdensome to the membership.

1. For purposes of this regulation a Legislative Service Organization is defined as any congressional caucus, committee, coalition or similar group which—

(a) Consists solely of Members of the House or Members of the House and Senate;

(b) Is operated solely to provide legislative services or other assistance to the Members thereof in the performance of their official duties;

(c) Receives support from Members of Congress via their allowances, or from the House itself in the form of office space, furniture, furnishings, telephone service, etc.;

(d) Receives no income or contributions, either in cash or in-kind, from any source other than the Congress or its Members, except as noted in paragraphs 3 and 8;

(e) Is neither incorporated nor holds a separate tax-exempt status under the Internal Revenue Code;

(f) Is sponsored by 30 Members of the House or two-thirds of the organization's total membership, whichever is less, who shall attest, in a statement filed with the Committee on House Administration at establishment and by May 1 of each even-numbered year thereafter, that the organization is to provide bona fide legislative services or assistance which supports them in the performance of their official duties.

2. Any organization which meets the criteria set forth in paragraph 1 shall be granted status as a Legislative Service Organization by the Committee on House Administration and shall comply with all applicable regulations and House Rules.

3. Legislative Service Organizations may take advantage of educational intern, fellowship or volunteer programs when the programs are primarily of educational benefit to the participating interns, fellows or volunteers. However, the Legislative Service

Organization may not raise, receive or disburse any private contributions for programs associated with it.

4. Any caucus, committee, coalition or similar group organized to provide legislative service which receives contributions or any form of income, either direct or inkind, from any source other than the Congress or its Members (except as noted in paragraphs 3 and 8) shall not be located in space under control of the House and shall receive no other support from the House or from Members of the House via their allowances.

5. Any Legislative Service Organization which pays its employees directly in addition to or instead of paying them through clerk-hire provided by Members, shall withhold Federal income and F.I.C.A. taxes and shall forward such amounts to the U.S. Treasury as required by law, and also shall pay such employer F.I.C.A. taxes and D.C. unemployment compensation taxes as are required by Federal and D.C. statutes. However, the total sum paid to any employee from all sources shall not exceed the highest rate of basic pay, as in effect from time to time, of level IV of the Executive Schedule in section 5315 of title 5, United States Code.

6. When a Member authorizes a person working for a legislative service organization to be compensated in part or in full from said Member's Clerk Hire Allowance, the Clerk of the House shall disburse salary payments to such employee only upon a monthly certification by said Member of the identification of the legislative service organization for which the employee has performed duties. This certification shall be included as part of the Member's monthly Clerk Hire Allowance certification. And, in addition, the Clerk of the House shall disburse salary payments from the Clerk Hire Allowance of said Member to such person only upon a monthly certification by the Chairman or Ranking House Member of the organization as to the amount of said salary, the performance of assigned official duties in Washington, D.C., the identification of said Member, and the relationship, if any, of each employee to any current Member of Congress.

7. A Legislative Service Organization which collects dues or assessments from its Members may not use such dues or assessments to generate additional income from other sources (e.g. interest bearing accounts, certificates of deposit, etc.).

8. Legislative Service Organizations may distribute to Members of Congress any report, analysis or other research material prepared in whole or in part by persons other than persons employed by said Legislative Service Organization. However, the identity of the person and/or organization which prepared or assisted in the preparation of said research material shall be fully disclosed thereon.

9. Each Legislative Service Organization shall submit a quarterly report to the Clerk of the House not later than 30 days after the end of the reporting period which shall be available to the public through the Office of Records and Registration. Each report shall contain:

(a) The name, business address, officers and number of Members of the organization;

(b) Total receipts for the quarter including clerk-hire, and a summary of said receipts by category (e.g., clerk-hire, or dues);

(c) Total disbursements for the quarter plus a listing of the recipient, purpose and amount of all disbursements in excess of $200 in the aggregate during the quarter;

(d) A listing of the name, business address, and job title of all persons employed by the organization, their total compensation during the quarter and the dates of their employment;

(e) Name and sponsor of all interns, fellows or volunteers associated with the Legislative Service Organization under the provision of paragraph 3 of these regulations;

(f) A general description of the legislative services or other assistance which the Legislative Service Organization provided to its members during the quarter;

(g) A listing of all reports, analyses or other material provided to members during the quarter which were prepared in whole or in part by persons other than persons employed by said Legislative Service Organization, and the identity of the person and/or entity which provided such assistance; and

(h) A copy of the sponsorship statement required by subparagraph 1(f).

10. This regulation shall not apply to informal pool arrangements whereby Members share staff in accordance with other regulations promulgated by the Committee on House Administration governing the use of Members' Clerk Hire.

11. The effective date of these regulations shall be January 1, 1983, except that the provisions of paragraph 9 a through g shall be effective January 1, 1982 and the reporting requirements of paragraph 9b shall include the reporting of receipts from all sources by category and by specific source when in excess of $200 in the aggregate during the quarter.

ADDITIONAL VIEWS OF THE HONORABLE AL SWIFT

Our investigation, like that of the Better Government Association's indicates that caucuses are extremely conscientious about following rules and regulations which currently exist and that the problems that have come to light are clearly the result of the lack of more comprehensive guidelines and standards.

We have now corrected that deficiency. In fact, if we have erred at all, it has been on the side of perhaps imposing too strict a set of rules on Legislative Service Organizations. Thus to go beyond the proposed regulations to abolish caucuses as some propose would be totally unwarranted in light of our findings and of the important role caucuses play in the House.

Caucuses were formed to fulfill needs Members felt were not otherwise being met. Overall, caucuses have not only acted responsibly, they have strengthened the House and enabled Members to more effectively carry out their official duties.

The first caucus, the Democratic Study Group is an obvious example. At that time, Members had to rely upon their own resources to find out what was in the bills coming to the House Floor. The main source of information was the Committee reports which were often late, excessively wordy and frequently biased towards the Committees position. Thus DSG was formed and for more than a decade has had bipartisan subscribers.

This has prompted not only political parties to provide a source of information, but it has also marked the formation of other caucuses such as the Environmental Study Conference, the Wednesday Group, the Northeast-Midwest Economic Study Committee, the Black Caucus, and the Members of Congress for Peace through Law which provide specialized information and high quality professional assistance.

The oft repeated allegation that these groups are somehow undermining or impeding the legislative process that they "fragment decision making and conflict with the committee system" is without foundation. This allegation has been made so often that it has taken on an aura of truth. However, no evidence has been produced to substantiate that charge.

The truth, of course, is just the opposite. Rather than being a detriment, the legislative groups provide essential service to Members and support and improve the legislative process. Otherwise, in the natural workings of the "marketplace" they would not continue to exist.

Therefore, one should not turn too easily to the abolishment of LSO's as a panacea to real or perceived problems of the leadership of the House. Our committee was not charged with the responsibility for delving into the causes or effects of LSO's. What information we gathered on that topic was incidental to our primary assignment.

Should the full Committee wish to seriously consider the abolishing of LSO's, I would suggest that it would require a more penetrating study and more thoughtful analysis of the institution of the House, its strengths, weaknesses and overall ability to cope with the current pressures on it and its Members than our subcommittee was asked to make or, in fact, has made of that issue.

My personal view is that LSO's provide a valuable service and an important structure by which Members can seek to improve their individual and combined effectiveness. Other Members feel quite the opposite.

But the fact is that the value or lack thereof the Legislative Service Organization is at the point a matter of pure conjecture on the part of any Member and action to terminate them is clearly premature and could prove unwise.

ADDITIONAL VIEWS OF THE HONORABLE GARY A. LEE

The regulations governing the conduct of Legislative Service Organizations, as recommended by the Ad hoc Subcommittee, represent necessary and beneficial reforms. Yet, although I concur in the proposed revisions, I believe that these refinements alone will be insufficient to address the institutional concerns associated with LSO's.

It is my view that our rules should neither assist nor permit the existence of such structured, formalized caucuses as LSO's. Where the Subcommittee's regulations would prohibit outside funding, I suggest it would be preferable to ban all funding—from congressional as well as from outside sources. As a consequence, caucuses would be ineligible to receive any in-house benefits—be it in the form of clerkhire, office space, or other internal support. The only exception which I believe justified would be for the two organized party units—the Democratic Caucus and the Republican Conference.

Undoubtedly, this initiative will appear quite radical. But, I emphasize that this alternative would in no way obstruct the free association of Members. Informal caucuses, based on ideological faction, state delegation or other interest, have been prevalent since the early days of our Republic. Such informal units are indispensable to the process and would not be impaired.

However, during the past two decades, the House of Representatives has witnessed a new phenomenon—caucuses which acquire the advantage of permanent staff and independent financial support. As these units proliferate, they increasingly compete with—and, on occasion, supplant—the legitimate legislative process. Minority Leader Robert Michel, in a statement submitted to the Subcommittee, underscored how LSO's may fragment decisionmaking and conflict with the committee system.

The Legislative Service Organizations maintain that they have adhered to the spirit and strict interpretation of the Rules of the House. And, during our review, there was no evidence of any impropriety in the use of LSO funds. But we cannot endorse a state of affairs which permits Members to do jointly—through an LSO—what our rules forbid Members to do individually. Yet the issue of outstanding funding is but one aspect of the LSO dilemma. In seeking to strengthen the process of policy deliberation, we should endeavor to enhance the framework of the institutional leadership and the committee structure. By continuing to permit LSO's to receive congressional funding, we make it more difficult to achieve that goal.

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HEARING OF THE AD HOC SUBCOMMITTEE ON LEGISLATIVE SERVICE ORGANIZATIONS

THURSDAY, OCTOBER 1, 1981

House of Representatives,
Ad hoc Subcommittee on Legislative Service,
Committee on House Administration,
Washington, D.C.

The Ad hoc Subcommittee met, pursuant to call, at 9:30 a.m., in room 2118, Rayburn House Office Building, Hon. William R. Ratchford, chairman of the Ad hoc Subcommittee, presiding.

Present: Representatives Ratchford, Swift, and Lee.

Mr. Ratchford. Good morning. I would like to declare open the hearing of the House Administration Subcommittee on Legislative Service Organizations.

The panel consists of Representative Lee, who is to my right, Representative Swift, who will be joining us and I am Bill Ratchford from the State of Connecticut.

I will have a brief opening statement. We then have scheduled testimony from a large number of the caucuses or legislative service organizations, testimony from the Committee on Standards of Official Conduct and testimony this afternoon from the Better Government Association, and if there are members of the public who wish to testify, we will accept their testimony.

In writing to the various groups, we have urged them to submit written testimony, much of which has been received. In addition to it, we have encouraged their spokesman to limit his or her remarks to 10 minutes, given the volume of groups with which we will have to contend and we have indicated also that following this meeting, we will circulate proposed regulations for further comment.

For record purposes, let me read a statement into the record and take opening statements from other members of the panel, if they have any, and then seek unanimous consent for certain testimony to be submitted and hear first from Delegate Fauntroy, who has joined us at the table.

My statement, for record purposes, is as follows.

On September 22, 1981, the Committee on House Administration established an ad hoc subcommittee to evaluate the regulations commonly referred to as legislative service organizations and to report back to the full committee with recommendations by October 22, 1981.

As a first step in our development of these recommendations, we have scheduled this hearing today. All Members of Congress and all Legislative Service Organizations have been invited to testify and/or submit written comments and suggestions for the record.

In addition, the subcommittee invited the Honorable Louis Stokes, chairman of the Committee on Standards of Official Conduct and Mr. Terry Brunner, executive director of the Better Government Association to offer testimony today.

The issues to be discussed here today are not completely new to the Congress. In 1977, the Obey Commission, as an outgrowth of its study on the administrative structure of the House of Representatives, offered a series of recommendations concerning legislative service organizations.

These recommendations were never considered by the full House, however, due to the defeat of the rule on the resolution into which these recommendations had been incorporated.

In 1979, the Committee on House Administration issued a committee order requiring the semiannual reporting by each organization, of receipts and expenditures in excess of $1,000 and a complete accounting of the use of clerk-hire funds.

In our examination of the issues today, the subcommittee is particularly interested in questions concerning funding sources, disclosure requirements and services offered by the legislative service organizations, including publications and subscriptions.

In addition, we intend to review the provisions of the rules of the House of Representatives as they relate to these organizations.

At the conclusion of this hearing, this subcommittee will review the record, prepare a proposed set of regulations and circulate them for comment.

We will review these additional comments and make our final recommendations to the full committee on October 19. On October 22, the full committee will meet to take action on these regulations.

The members of this subcommittee begin this hearing confident that a set of regulations can be developed which will be fair and equitable to all organizations.

We appreciate this time today to offer testimony to this subcommittee. We look forward to your comments and recommendations.

Before taking them, are there opening statements from Congressman Lee or Congressman Swift?

Congressman Lee?

Mr. LEE. Thank you for yielding, Mr. Chairman.

Mr. Chairman, I would like to congratulate you for the excellent manner in which you and Mr. Swift and staff have pulled together the details for having this hearing.

I have no statement at this time. I yield back.

Mr. RATCHFORD. Congressman Swift.

Mr. SWIFT. No, sir.

Mr. RATCHFORD. I would ask unanimous consent to include in the record after the testimony received today, written statements received and submitted to this committee by Mr. Michel, Republican leader, Mr. Frenzel, ranking member of the Committee on House Administration, Mr. Barnes, the chairman of the Federal Governmental Service Task Force and, most importantly, that the record be held open until 5:00 p.m. on Tuesday, October 6, to receive additional written statements from interested parties.

Is there objection?

Hearing none, it is so ordered.

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We now yield to our first witness, Congressman Fauntroy.

TESTIMONY OF HON. WALTER E. FAUNTROY, A DELEGATE TO THE HOUSE OF REPRESENTATIVES FROM THE DISTRICT OF COLUMBIA, AND CHAIRMAN, CONGRESSIONAL BLACK CAUCUS

Mr. FAUNTROY. Thank you, Mr. Chairman, and members of the committee. As chairman of the Congressional Black Caucus, I would like to thank you for this opportunity to testify on behalf of the Congressional Black Caucus (CBC) regarding the present status of legislative service organizations and suggestions concerning a revision of present regulations governing such organizations.

Members of the Caucus applaud the efforts of this subcommittee to institute greater standards of accountability for both Members of the Congress and the congressional caucuses in which they participate in order to insure the degree of public trust so necessary for our work.

Permit me to summarize at the outset three principal arguments I will make in the Congressional Black Caucus testimony.

First, the proposed regulation, if adopted in full, places an undue burden and disadvantage on congressional caucuses which are small in size, but which represent large underrepresented constituencies.

Second, members of the Congressional Black Caucus agree that groups of members should be required to comply with the same standard of ethical conduct as individual members. Yet, a rigid application of rule 43, prohibiting outside contributions to members over $100 to groups of members, overlooks the different functions and roles groups of members carry out in their collective capacity.

Third, if the proposed regulation is adopted, legislative service organizations should have a minimum of 6 months to comply, and rules should not become effective before the beginning of the 98th Congress (January 1983).

In responding to the questions posed by this subcommittee, I will follow the same format as they are presented in your correspondence to me of September 24.

However, I feel it would be helpful to first provide this subcommittee with brief background information on the Congressional Black Caucus.

The Congressional Black Caucus consists of the 18 black Members of the House of Representatives. In addition to representing our individual congressional districts, Caucus members also represent the interests of 26 million black Americans and millions of poor Americans of every race.

In 1981, black unemployment continues to be more than twice that of white unemployment (16 percent versus 7.5 percent); black family income is 59 percent of white family income; black youth employment rose to 50 percent in August 1981; the number of poor white families declined by 6 percent between 1970 and 1979, yet the number of poor black families increased by 12 percent (from 1,481,000 to 1,666,000) with the bulk of this increase among black female heads of households.

Three other salient points, the growing mood in the administration and Congress for cutting programs critical to the needs of black Americans and the poor (the majority of whom are white) makes the caucus one of the few entities in the Congress taking leadership on issues addressing the needs of the poor, minorities, and underrepresented citizens.

Second, there are 18 black Members of Congress out of 435 Members, but if black Americans were represented according to our numbers in the population, we would have 49 black congressional representatives.

While there are numerous Washington-based lobby organizations representing business, labor, farm, foreign government, and many other special interests, there are very few national organizations or lobbyists representing before the Congress the interests of black Americans and the poor.

The Congressional Black Caucus believes that we are faced with the most extraordinary efforts in many years by the administration and the Congress to reorder America's economic priorities toward the interest of more affluent Americans and institutions and away from the needs of the poor and minorities.

This effort makes the existence in the House of a congressional caucus providing important legislative information, analysis, and leadership on issues of concern to black Americans and the poor more critical than ever before.

Like the Congressional Black Caucus, the Hispanic Caucus and the Congressional Women's Caucus are small caucuses representing large underrepresented populations.

There are seven Hispanic House Members representing some 20 million Hispanic Americans. There are 20 female Members representing women in America who are approximately 58 percent of the population.

FUNDING OF LEGISLATIVE SERVICE ORGANIZATIONS

The Congressional Black Caucus fully supports the concept of full disclosure and accountability by legislative service organizations because we feel that it will provide some protection for the smaller caucus representing large underrepresented constituencies.

To the extent that the public adopts a negative reaction to what they believe to be a proliferation of unaccountable congressional caucuses controlled by outside moneys interests.

Mr. **Ratchford**. In view of the time restraints that we have, would the gentleman be prepared to summarize and his statement will be made a part of the record?

We have a number of groups. We want to give you full time and we also want to meet our deadline.

Mr. **Fauntroy**. I will be happy to do that. You heard our three salient points. I would simply point out to buttress the second and most important point that in our view, we would be unable to function as an effective legislative service organization for the large constituency which needs not only information on the legislative process, but because of our historic denial of participation in the political systems, needs more direct assistance in guiding our people as to how to respond to specific legislative measures that are being considered in the House and the prohibition on outside contributions which so limit our very small caucus that were we to function and at the level we now function, it would require that each member take $20,000 from his own clerk-hire to deliver the inadequate level of service that we now provide our very large constituency across the country.

I would finally emphasize the fact that under any circumstances, given the extent to which we are committed for service this year, the imposition of these rules as of January 1981, would devastate our effort to represent a constituency that I think all of us would admit is under severe pressure, given the present bent of both congressional and administration action and policies.

[The statement of Hon. Walter E. Fauntroy follows:]

STATEMENT OF HON. WALTER E. FAUNTROY, A DELEGATE TO THE HOUSE OF REPRESENTATIVES FROM THE DISTRICT OF COLUMBIA, AND CHAIRMAN, CONGRESSIONAL BLACK CAUCUS

Mr. Chairman and Members of the Committee, as Chairman of the Congressional Black Caucus, I would like to thank you for this opportunity to testify on behalf of the Congressional Black Caucus (CBC) regarding the present status of Legislative Service Organizations and suggestions concerning a revision of present regulations governing such organizations. Members of the Caucus applaud the efforts of this Subcommittee to institute greater standards of accountability for both Members of the Congress and the congressional caucuses in which they participate in order to ensure the degree of public trust so necessary for our work.

Permit me to summarize at the outset three (3) principle arguments I will make in the Congressional Black Caucus testimony:

1. The proposed regulation, if adopted in full, places an undue burden and disadvantage on congressional caucuses which are small in size, but which represent large underrepresented constituencies.

2. Members of the Congressional Black Caucus agree that groups of members should be required to comply with the same standard of ethical conduct as individual members. Yet, a rigid application of Rule 43 prohibiting outside contributions to Members over $100 to groups of members overlooks the different functions and roles groups of members carry out in their collective capacity.

3. If the proposed regulation is adopted, Legislative Service Organizations should have a minimum of six (6) months to comply, and rules should not become effective before the beginning of the 98th Congress (January, 1983).

In responding to the questions posed by this Subcommittee, I will follow the same format as they are presented in your correspondence to me of September 24th. However, I feel it would be helpful to first provide this Subcommittee with brief background information on the Congressional Black Caucus.

The Congressional Black Caucus consists of the eighteen (18) Black Members of the House of Representatives. In addition to representing our individual congressional districts, Caucus Members also represent the interests of 26 million Black Americans and millions of poor Americans of every race. Unlike most of our colleagues, Caucus Members represent constituencies that suffer severe social, economic and political disadvantages.

In 1981, black unemployment continues to be more than twice that of white unemployment (16 percent versus 7.5 percent; black family income is 59 percent of white family income; black youth unemployment rose to 50 percent in August 1981; the number of poor white families declined by 6 percent between 1970 and 1979, yet the number of poor black families increased by 12 percent (from 1,481,000 to 1,666,000) with the bulk of this increase among black female heads of households.

The growing mood in the Administration and Congress for cutting programs critical to the needs of Black Americans and the poor (the majority of whom are white) makes the Caucus one of the few entities in the Congress taking leadership on issues addressing the needs of the poor, minorities and underrepresented citizens.

There are 18 Black Members of Congress out of 435 Members, but if Black Americans were represented according to their numbers in the population, they would have 49 Black congressional representatives.

While there are numerous Washington based lobby organizations representing business, labor, farm, foreign government and many other special interests, there are very few national organizations or lobbyists representing before the Congress the interest of Black Americans and the poor.

The Congressional Black Caucus believes that we are faced with the most extraordinary efforts in many years by the Administration and the Congress to reorder America's economic priorities toward the interest of more affluent Americans and institutions and away from the needs of the poor and minorities. This effort makes the existence in the House of a congressional caucus providing important legislative information, analysis and leadership on issues of concern to Black Americans and the poor more critical than ever before.

Like the Congressional Black Caucus, the Hispanic Caucus and the Congressional Women's Caucus are small caucuses representing large underrepresented populations. There are seven (7) Hispanic House Members representing some 20 million Hispanic Americans. There are twenty (20) female Members representing women in America who are approximately 58 percent of the population.

FUNDING OF LEGISLATIVE SERVICE ORGANIZATIONS

The Congressional Black Caucus fully supports the concept of full disclosure and accountability by Legislative Service Organizations because we feel that it will provide some protection for the smaller caucuses representing large underrepresented constituencies. To the extent that the public adopts a negative reaction to what they believe to be a proliferation of unaccountable congressional caucuses controlled by outside monied interest, the caucuses serving underrepresented and largely disadvantaged constituencies like that of the CBC are harmed.

In response to your questions regarding funding of Legislative Service Organizations (LSO), the Caucus would not support a proposal prohibiting LSO's from receiving any outside funds. If the proposed regulation is adopted, the larger congressional caucuses can combine small amounts of clerk-hire funds and continue to operate effectively as Legislative Service' Organizations. However, the 18 Black Congress Members would be extraordinarily disadvantaged. Each Caucus Member would have to pay $20,000 a year in clerk-hire to maintain the Caucus at its present staff level.

However, the Caucus would favor a rule that would require that funds received from outside sources are representative of a diverse body of contributors rather than a few interests representing single issue concerns. That caucus would also favor a rule placing a ceiling on the percentage of operating funds a congressional caucus would receive from outside sources. Some 4,000 persons and institutions as diverse as Fortune 500 corporations and Black religious leaders, contribute approximately $400,000 to the Caucus and ensure that no one entity exercise influence over the Congressional Black Caucus. If each Member of the Caucus contributed $2,500 (the same amount given to the DSG), the Congressional Black Caucus would receive $45,000 or 10 percent of its current operating budget. The remaining balance could be provided by a diversified group of contributors from across the country.

Currently, the Caucus receives less than 5 percent in clerk-hire funds and approximately 95 percent from outside sources. The CBC believes that a rigid application of Rule 43 which prohibits outside contributions exceeding $100 for caucuses qualifying as Legislative Service Organizations discriminates against small caucuses representing large underrepresented constituencies.

The Caucus believes that like an individual Member, a group of Members have responsibility to meet all ethical standards required by House Rules. Yet, groups of Members perform different functions and roles in their collective capacity from individual Members and any application of outside contributions to Member groups should be viewed in that context.

DISCLOSURE REQUIREMENTS

The Caucus is of the opinion that the semi-annual reporting requirement should be replaced by a quarterly report for the purpose of better accountability; that data regarding staff salaries be included in the report; and that the $1,000 threshold for disclosure of receipts and disbursements be lowered to $100 to provide a more accurate assessment of outside contributions to congressional caucuses.

The Caucus does recommend that clear and detailed written instructions be provided to LSO's by the Committee on House Administration to alleviate the level of confusion which presently exists with the preparation of information required on the semi-annual report.

MEMBERSHIP

Certainly exceptions should be made to the Congressional Black Caucus, the Congressional Women's Caucus and the Hispanic Caucus if outside funding is restricted or eliminated. As I stated earlier, these caucuses represent the largest number of underrepresented constituencies in this country.

IN-KIND SERVICES

The Congressional Black Caucus has always requested and accepted independent research work from sources outside of Congress. Oftentimes such organizations have provided valuable research, data and analysis to augment the data provided by the Caucus staff. Although these services are sometimes difficult to measure, it should be required that they be included on the semi-annual disclosure report and therefore allowed to continue to provide valuable resource information to legislative service organizations.

INSTITUTES

The Caucus maintains a 501(c)3 tax exempt organization, the "Congressional Black Caucus Foundation." It was created in 1977 to provide technical research and public policy analysis on various issues for Members of Congress, public policy makers, and the general public. The Congressional Black Caucus Foundation employs two full-time staffers and therefore functions as a separate organization with a fifteen person Board of Directors, only four of whom are CBC Members. The CBC and the CBC Foundation do share office space and other facilities.

PUBLICATIONS

The Caucus maintains a mailing list consisting of approximately 50,000 people across the country. All publications disseminated to this mailing list are free of charge. We disagree with a regulation which would restrict LSO's from recovering only mailing costs for publications sent to non-congressional groups and individuals. The production costs, including paper, printing, and staff time, clearly exceed the postage and mailing costs. In this regard, it would be preferable to allow LSO's to recoup publications as well as mailing costs.

MISCELLANEOUS

Since 1971, the Congressional Black Caucus has been allowed to operate in space provided by the House of Representatives. The Caucus' proximity to the House has given greater visibility and credibility to issues of Black Americans that would not exist if the Caucus were disqualified as a Legislative Service Organization and forced to operate outside of House office space. If regulations were adopted limiting or prohibiting outside income, the Caucus would not be able to comply with an effective date set as January 1, 1982; just three months from this date. The largest dues of any of the current caucuses is $2,500 to the DSG. A number of non-Black Members have contributed clerk-hire funds over the years to the Caucus. Yet, it cannot be presumed that with the decreased focus on the problems of Black Americans by public policy makers, that a sufficient number of white Congressmembers will give clerk-hire to the Caucus in the same way that they subscribe for $2,500 to DSG for receipt of objective analysis of legislative and special issue reports. Therefore, it would still be necessary for each Caucus Member to contribute $20,000 annually in order to continue our staff operation in the House at the current level. The adoption of regulations prohibiting the use of outside funds would place an undue burden on our eighteen Members to support the total staff operation. The disqualificaiton of the only congressional caucus serving the interest of Black Americans and the poor from the status of an LSO, would indeed be an unfortunate occurrence in a Democratic controlled House.

The Caucus opposes the idea that legislative service organizations should receive grants from Executive Departments. It creates a serious problem for Members of Congress to accept grants and other funding from Executive agencies over which they have direct oversight responsibilities in their congressional committees. This would appear to be in direct conflict with the notion of separation of powers.

SUMMARY

Clearly, organizations like the congressional Black Caucus which are small in nature but which represent small underrepresented populations and which provide invaluable service to Black Congressmembers are hurt by any lack of accountability by congressional caucuses. We accept the responsibility for full disclosure of all contributions received by organizations like ours which operate through the assistance of taxpayer provided resources such as office space.

While the imposition of the proposed regulation will result in some hardship on the Congressional Black Caucus, the Caucus will fully comply with any regulation adopted by the House Administration Committee. We ask only that Legislative

Service Organizations be given at least six months to comply with the regulation and that the regulation not become effective until January 1983, at the beginning of the 98th Congress.

RECOMMENDATIONS

The Congressional Black Caucus recommends that:

(1) Those caucuses established prior to the adoption of any new House Administration Committee regulation be allowed to continue as Legislative Service Organizations with more stringent requirements for diverse contributor group, representation of the interest of broad segments of the population (e.g., rich, middle-income, poor) and other fiscal reporting accountability measures;

(2) Any future group of Members who wish to establish a Legislative Service Organization should be required to appear before the Committee to make their case for why Legislative Service Orangization status should be granted; and

(3) Any regulation approved by the House Administration Committee become effective at the beginning of the 98th Congress in order to allow adequate transition time for any organizational changes required.

Mr. **Ratchford**. The gentleman's organization is clearly one of the most respected of the Congress. Your activities of the recent weekend where you prioritize, we are told, to the country certainly indicated the impact is there. The concern we have is the apparent inconsistency between the standards applying to an individual member and standards applying to an organization.

Comment, if you would, on the prohibition on an individual member from taking money from outside sources, from taking money from corporations, whereas a collection of members under the current guidelines is not restricted in any way.

Mr. **Fauntroy**. In the summary of our second point, we did indicate and do believe that the standards should apply to both. However rigid application of rule 43 would unnecessarily, I think, encumber organizations which represent large constituencies on the one hand, and which receive contributions from a broader range of contributors that no one could even suggest that we were under the influence of the kinds of narrow, confined interests which the situation has, I think, resulted in our rightful concern about the proliferation of single-interest or at least commercial and other groups that would primarily control the interest.

You note from our testimony that we indicate that on one fundraising effort a year, such as with this past weekend, we received contributions from as broad a range as Fortune 500 companies to individual churches and a strict application of that rule would severely encumber our effort to monitor and provide legislative information to our constituency on the one hand, but more important, to provide some guidance as to how we should function with respect to specific legislative matters that come before the Congress.

Mr. **Ratchford**. Roughly, for the panel, what percentages of your money comes from congressional funds and what percentage comes from outside sources?

Mr. **Fauntroy**. Five percent from congressional and 95 percent of our revenues are solicited from groups which recognize the value of the service and the need for not only the legislative monitoring, but also the guidance on how we ought to be responding to the legislative alternatives before us.

Mr. **Ratchford**. Is it then your testimony that without the 5 percent, that you still would have difficulty?

Mr. **Fauntroy**. It is my testimony that limited to the 5 percent, we would have great difficulty. At best, we think that unlike many of the caucuses that can draw from this clerk-hire of many Members of the Congress, we would be limited to 18, and our calculation suggests, we could, through our clerk-hire alone, come up with one-tenth of what we actually do need.

I cannot emphasize enough the fact that our black Members, our black colleagues in this Congress, have the heaviest constituent service load of the membership of this Congress because our people are more sensitive to, and dependent upon, governmental protection and action to deal with the serious, social, economic, and political problems that we encounter.

So I am almost reluctant to even suggest that members of the caucus deduct from their considerable caseload and constituent service load fund, what would be required to do even 10 percent of what we have been doing.

Mr. **Ratchford**. What if the judgment of our committee was that you can take outside funding but you cannot take it mixed with clerk-hire?

In other words, it is an either/or situation?

Mr. **Fauntroy**. We have to have the caucus. We have to provide this information. We have to provide guidance and coordination of information on legislative processes and we will do it by whatever logical means are made available to us and we will comply with whatever the committee determines ought to be the rules of the House with respect to this, but we wanted you to understand that the purpose of the committee, which we embrace fully, if applied in the fashion that the rules now suggest, would place caucuses like ours at a decided disadvantage with respect to other caucuses which could attract clerk-hire from a much broader range of individual Members and continue to function at a time when we would have to become more creative and innovative to provide a service that I think is most needed in this country today for the people that we represent.

Mr. **Ratchford**. The gentleman has been a thoughtful witness. I will yield to Congressman Lee at this time.

Mr. **Lee**. Thank you, Mr. Chairman, for yielding.

Congressman, is it your judgment, and the judgment of your caucus, that you have complied with the strict interpretation of all the rules of the House in receipt of funds?

Mr. **Fauntroy**. Without question.

Mr. **Lee**. Then, sir, you disagree with the allegation of the Better Government Association on page 20 of its report, where they make a statement that presumably the receipt of moneys from a foreign nation is not in the spirit or compliance with rule 43, clause 4 in the Rules of the House of Representatives?

Mr. **Fauntroy**. I am not aware that the rules prohibit Members in association with caucuses from receiving contributions. If you make that a rule, we will, of course, comply. There is no question.

I do want to say for the benefit of those who look at our reports and fail to understand how we raise our funds—we have one fundraiser a year. We make available tables which major corporations purchase primarily because the black persons who work for those corporations recognize that with $140 billion being spent by black people in this country, we are a valuable market. Were we a nation, we would be the ninth richest nation in the world in terms of what we spend.

So it is understandable that blacks who recognize the value of what we provide prevail upon their corporations to buy a $1,500 table.

Obviously, there are many nations of the world that recognize the value of what we attempt to do in addressing the constituent needs of blacks and poor people in this country.

Among them, purchasing a table, was the Haitian Embassy, and if you want any indication of the extent to which that kind of contribution, among many, does not influence the policies and pronouncements of the caucus, you have but to listen to Hon. Shirley Chisholm or myself as task force members on Haitian refugees to know we are unalterably opposed to most of the policies of the Government of Haiti, which commits 80 percent of its revenues to 20 percent of its people and leaves 80 percent of the people in such destitute circumstances that they have to flee for their lives and are now being told by the U.S. Government that if we catch you on the high seas, we will engage in the bestial conduct of taking your life, if necessary.

I don't want to get excited. I was trying to be calm, but since you raised the question of the Haitian Embassy purchase of one table, I just want to make the point we do not have time to raise funds. We do it once a year.

Somebody buys one table and fills it up with whoever wants to hear what we have to say. I don't think that compares in any way to some of the single-interest, heavily financed caucuses that might develop if we don't, in these times, implement rules of a nature that this committee has been recommending and is going to, I think, provide the House.

Mr. LEE. One last point, Mr. Fauntroy. It is my understanding, listening carefully to your response to the chairman's inquiry a few minutes ago, that, if outside funding is terminated for all caucuses, such an action would indeed cripple your ability to serve your constituency. Is that correct?

Mr. FAUNTROY. In this area of providing guidance and recommendations as to how to respond to the legislative analysis and information that we would provide—yes.

Mr. LEE. Mr. Chairman, I yield back.

Mr. RATCHFORD. Representative Swift.

Mr. SWIFT. Thank you, Mr. Chairman.

You make a very compelling case and I think if it were not for the black and Hispanic caucuses and the Congressional Women's Caucus, our job would be open and shut. You are complicating our lives.

One of the things we have to consider, however, is would there not be under considerably more stringent rules, perhaps a means by which you could continue to do your work?

I would like to explore with you a little bit what would happen if you were to, in effect, transfer a lot more of your work back to the foundation, which is a private, off-the-Hill, noncaucus function and scale down the caucus considerably so that it could survive on the clerk-hire from black Members and those other Members that might wish to contribute.

Would there not be a way that the totality of that work could be redivided in different ways so that you would be able to continue your work and still be able to abide by what might be some very strict new rules that we might write?

Mr. **Fauntroy**. There is a considerable body within the caucus that believes that it is possible. I certainly expect that it will happen. As to the effectiveness of that clerk-hire-supported function, I would have to say that we would be severely limited.

The foundation-type 501(c)(3) support would give us adequate resources to do the legislative analysis and monitoring function, but again, because of the history of our exclusion from the political process, we do have a need to give some information rather specifically about how we ought to go about responding to the options that are before the Congress.

It would not allow us to fund our action alert communications network by which once we provided the basic information and research and analysis, we say we think that there is some action that we ought to take if the interest of poor people, blacks and minorities, are to be served by the votes the Members of the Congress take on the floor.

It is that function that will have to somehow continue and it won't have the benefit of the kind of staff—at least as we are presently constituted—to carry out that function.

Mr. **Swift**. One additional question. Let's assume that we are going to try and draw a rule that would take care of the specific problem of the very small caucuses, the three we are discussing.

It is unclear to me how we do that and not create a loophole that other groups that perhaps are not so worthy could not drive their truck through.

In other words, if we have this caucus of those members who are worth more than $30 million—in the House, there won't be many, in the other body, quite a few—in other words, you see the problem in trying to write an exemption to try to deal with what I consider the three very worthy caucuses with a specific kind of problem.

I don't see how we would draw a rule that others could not go through—very wealthy, very privileged groups that may be very small in number of their specific representative position caucus in the Congress which would be considerably smaller than the Black Caucus, and so forth.

That is the conundrum in which we find ourselves. Do you have any suggestions in that regard?

Mr. **Fauntroy**. The only suggestion we have is the one we include in our testimony that standards be set with respect to the diversity of the base, the diversity of the base of support.

Mr. **Swift**. I noticed that, and as you and other people that are as concerned as you are, if you have a chance to flesh that out with some specifics.

I understand it as generality but as you know from working around there, there are a lot of things we can agree on as generalities and when we get to specifics, where we draw the line becomes controversial.

Any additional advice that your caucus might be able to provide to flesh out that suggestion will be welcome.

Mr. **Ratchford**. We would thank the gentleman.

The panel has to vote and come back. All of the chair persons for organizations have been notified as to the time schedule. I will repeat.

We will hear next from Mr. Wolpe, Mr. Edgar, Mr. Watkins, Mr. Gaydos, Mr. Butler, Mr. Garcia, Mr. Boland, Mr. Wilson, Mr. Bethune, at which point we will break for the noon recess.

Obviously, we are going to be back and forth, given the type day it will be.

We will vote and come back quickly, if people are not here in the order they are scheduled, we will take people who are present.

Mr. **Fauntroy**. I represent the largest constituency in the country without a vote, as you know, on the floor. It would be very difficult for me to take from my clerk-hire to contribute to the caucus. It would also be very difficult for me, as a member of the caucus, not to appeal to you on the home rule question that is coming up on the floor today to support our right to have our elected officials determine policy in the city.

So I would not be able to do that. I wanted you to know that on our way over to the floor.

Mr. **Ratchford**. Some of us will go over and vote.

[Recess.]

Mr. **Ratchford**. The hearing will come to order.

The next witness, on behalf of the Environmental Study Conference, is Hon. Howard Wolpe.

Your full statement will be included in the record. Without objection, we would encourage you to summarize for record purposes and then there will be questions from the panel.

Please proceed.

TESTIMONY OF HON. HOWARD WOLPE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN AND CO-VICE CHAIRMAN, ENVIRONMENTAL AND ENERGY STUDY CONFERENCE

Mr. **Wolpe**. Mr. Chairman, Pete McCloskey, the House chairman of the Environmental and Energy Study Conference, regrets he could not be here today and asked me to testify for the conference.

I would like to commend the House Administration Committee for developing much-needed new regulations governing legislative service organizations. And I want to express my appreciation to the task force for holding these hearings and for inviting me to testify.

The Environmental and Energy Study Conference, which I serve as co-vice chairman, has long advocated tighter controls on informal congressional organizations, and we wholeheartedly support your current effort.

Founded in 1975, the conference is a bipartisan group, currently made up of 271 Congressmen and 81 Senators, from across the political spectrum.

Our bipartisan and reputation for unbiased, reliable and timely legislative services has made us the largest legislative service organization.

The conference's goal is to provide objective research and analysis in the environmental and energy fields in order to help its members with their legislative and constituent service workloads.

Our bylaws specifically preclude advocacy.

The conference works to meet this objective through a weekly legislative report, analyses of bills going to the floor, background papers, and briefings, seminars, and roundtable discussions for members and staff.

In addition, we provide our Members with a variety of special services, ranging from speech cards to limited individual assistance on request.

The conference stands ready to work with you to develop sound and workable regulations which will prevent conflicts of interest, outside influence or the appearance of impropriety, while permitting legitimate operations to continue.

Our major concern with the proposed regulations dated September 11, 1981, is that they make no distinction among organizations in terms of their objectives and funding.

The conference does receive outside revenue, in the form of subscription fees to our weekly legislative report, and they generate slightly more than one-third of our budget. But I don't recall anyone ever accusing the conference, nor could anyone ever accuse the conference, of a conflict on interest, outside influence or any impropriety because of that subscription revenue.

We take no outside contributions, nor do we have any sister institute.

Our situation is quite different than every other legislative service organization and certainly distinguishably different than advocacy organizations that take private contributions.

I urge the task force to amend the regulations to make such a distinction.

One approach would be to amend paragraph 5 to focus specifically on advocacy groups the restrictions on payments for reports. Specific language is included in our statement for the record.

This would make the proper distinction between advocacy organizations and nonadvocacy organizations which receive subscription revenues. And it would prevent advocacy organizations from simply replacing outside contributions with subscriptions to those same outside contributors.

An alternative approach is contained in the resolution (H. Res. 766) the House Administration Committee developed in 1977 to regulate informal groups and for other purposes.

That resolution, as you recall, was voted down by the House for reasons unrelated to the well-thought-out language it contained on legislative service organizations.

Under Section 612(6)(B) of the resolution, legislative service organizations could receive payments for publications and other services from persons outside Congress, but such payments could not exceed the membership dues and research fees paid by Members of Congress.

This would have the effect of making a logical and reasonable distinction between subscription revenues, and contributions—allowing the former within limits, while barring the latter completely.

Paragraph 5 could be easily amended with language from the resolution. Specific language is included in our statement for the record.

Although I prefer the first alternative because it is somewhat tighter, I believe either approach would meet the task force's goal of stopping conflicts of interest, undue outside influence or any appearance of impropriety. Either alternatives also would permit the Conference and other groups to use "unassailable" subscription revenue to support our work.

Without a change of this sort, the regulations will have a significant adverse impact on the Conference and its members. We will be forced to either cut services by more than one-third or massively increase dues (more than tenfold), or a combination of both.

In any case, both Congress and taxpayer lose, without any offsetting benefit. Also without such a change, the Congress and the taxpayer will be subsidizing the distribution of reports to the private sector.

I also would recommend correcting what appears to be an inadvertent drafting oversight in paragraph 1(c).

It should be amended to recognize that some groups receive clerk-hire and dues from both House and Senate members. This would make 1(c) consistent with the rest of the regulations. If this change is not adopted, it would force the Conference to split in two and create two separate staffs.

The result would be much duplication, inefficiency, and increased costs overall.

I have two other concerns. One is that the regulations would prohibit our Senate Members from paying their dues with "unofficial" office accounts. Most Senators now pay their dues out of these accounts or out of the Senate campaign committee accounts.

Second, the regulations would prohibit interest income. The Conference and other LSO's receive membership fees and subscription fees once a year, but spend those funds over the next 12 months.

The Conference holds those funds in savings accounts at the congressional credit unions and earns interest on them. This generates for us a small, but not insignificant, source of extra income to use to support our services.

I urge the task force to adopt language to permit LSO's to receive dues from unofficial Senate accounts and to receive interest income.

I'd like to conclude by pointing out one problem with legislative service organizations—the clerk-hire system—that the regulations do not, but should, address.

Under the current clerk-hire system, LSO staff payrolls are subject to the vagaries and fluctuations of month-to-month contributions from members.

In some months, the Conference can't meet its payroll, while in other months we may be offered more than we can use, although that seldom happens.

Nevertheless, the clerk-hire raised and the staff payroll equal one another over time.

In recognition of this problem, your committee proposed a clerk-hire pooling concept for LSO's in section 601 of House Resolution

766. This section had widespread support, both among the caucuses and on the committee.

I would urge the task force to add similar provisions to the regulations pending before you.

In addition to easing internal payroll and budgeting problems for caucuses, such provisions would fill a major gap in the regulations and establish a carefully controlled system for clerk-hire contributions, which represent the largest portion of many LSO budgets.

Thank you.

[The statement of Hon. Howard Wolpe follows:]

STATEMENT OF HON. HOWARD WOLPE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN, AND CO-VICE CHAIRMAN, ENVIRONMENTAL AND ENERGY STUDY CONFERENCE

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The Conference works to meet this objective through a weekly legislative report, analyses of bills going to the floor, background papers, and briefings, seminars and roundtable discussions for members and staff.

In addition, we provide our members with a variety of special services, ranging from speech cards to limited individual assistance on request.

The Conference stands ready to work with you to develop sound and workable regulations which will prevent conflicts of interest, outside influence or the appearance of impropriety, while permitting legitimate operations to continue.

Our major concern with the proposed regulations dated September 11, 1981, is that they make no distinction among organizations in terms of their objectives and funding.

The Conference does receive outside revenue, in the form of subscription fees to our weekly legislative report, and they generate slightly more than one third of our budget. But I don't recall anyone ever accusing the Conference, nor could anyone ever accuse the Conference, of a conflict of interest, outside influence or any impropriety because of that subscription revenue.

We take no outside contributions, nor do we have any sister institute.

Our situation is quite different than every other legislative service organization and certainly distinguishably different than advocacy organizations that take private contributions.

I urge the task force to amend the regulations to make such a distinction.

One approach would be to amend Paragraph 5 to focus specifically on advocacy groups the restrictions on payments for reports. Specific language is included in our statement for the record.

This would make the proper distinction between advocacy organizations and non-advocacy organizations which receive subscription revenues. And it would prevent advocacy organizations from simply replacing outside contributions with subscriptions to those same outside contributors.

An alternative approach is contained in the resolution (H. Res. 766) the House Administration Committee developed in 1977 to regulate informal groups and for other purposes. That resolution, as you recall, was voted down by the House for reasons unrelated to the well-thought-out language it contained on legislative service organizations.

Under Sec. 612(6)(B) of the resolution, legislative service organizations could receive payments for publications and other services from persons outside Congress, but such payments could not exceed the membership dues and research fees paid by Members of Congress.

This would have the effect of making a logical and reasonable distinction between subscription revenues, and contributions—allowing the former within limits, while barring the latter completely.

Paragraph 5 could be easily amended with language from the resolution. Specific language is included in our statement for the record.

Although I prefer the first alternative because it is somewhat tighter, I believe either approach would meet the task force's goal of stopping conflicts of interest, undue outside influence or any appearance of impropriety. Either alternative also would permit the Conference and other groups to use "unassailable" subscription revenue to support our work.

Without a change of this sort, the regulations will have a significant adverse impact on the Conference and its Members. We will be forced to either cut services by more than one-third or massively increase dues (more than ten-fold), or a combination of both.

In any case, both Congress and taxpayers lose, without any offsetting benefit. Also without such a change, the Congress and the taxpayer will be subsidizing the distribution of reports to the private sector.

I also would recommend correcting what appears to be an inadvertent drafting oversight in Paragraph 1(c).

It should be amended to recognize that some groups receive clerk hire and dues from both House and Senate Members. This would make 1(c) consistent with the rest of the regulations. If this change is not adopted, it would force the conference to split in two and create two separate staffs. The result would be much duplication, inefficiency and increased costs overall.

I have two other concerns. One is that the regulations would prohibit our Senate Members from paying their dues with "unofficial" office accounts. Most Senators now pay their dues out of these accounts or out of the Senate campaign committee accounts.

Second, the regulations would prohibit interest income. The Conference and other LSOs receive membership fees and subscription fees once a year, but spend those funds over the next 12 months. The Conference holds those funds in saving accounts at the Congressional credit unions and earns interest on them. This generates for us a small, but not insignificant source of extra income to use to support our services.

I urge the task force to adopt language to permit LSOs to receive dues from unofficial Senate accounts and to receive interest income.

I'd like to conclude by pointing out one problem with legislative service organizations—the clerk hire system—that the regulations do not, but should, address.

Under the current clerk hire system, LSO staff payrolls are subject to the vagaries and fluctuations of month-to-month contributions from members. In some months, the Conference can't meet its payroll, while in other months we may be offered more than we can use, although that seldom happens.

Nevertheless, the clerk hire raised and the staff payroll equal one another over time.

In recognition of this problem, your committee proposed a clerk hire pooling concept for LSOs in Section 601 of H. Res. 776. This section had widespread support both among the caucuses and on the committee.

I would urge the task force to add similar provisions to the regulations pending before you.

In addition to easing internal payroll and budgeting problems for caucuses, such provisions would fill a major gap in the regulations and establish a carefully controlled system for clerk-hire contributions, which represent the largest portion of many LSO budgets.

Thank you.

STATEMENT OF HON. PAUL N. MCCLOSKEY, JR., AND HON. HOWARD WOLPE, CO-CHAIRMAN AND CO-VICE CHAIRMAN, RESPECTIVELY, ENVIRONMENTAL AND ENERGY STUDY CONFERENCE

Mr. Chairman, we would like to commend the House Administration Committee for developing much-needed new regulations governing legislative service organizations. We are particularly grateful for your courtesy in deferring finalization of these regulations and giving us the opportunity to testify.

The Environmental and Energy Study Conference has long advocated tighter controls on informal congressional organizations, and we wholeheartedly support your current effort.

Founded in 1975, the conference is a bipartisan group, currently made up of 269 Congressmen and 81 Senators.

Our staff's reputation for unbiased, reliable and timely legislative analysis and reporting is the primary reason we have become the largest legislative service organization.

Our by-laws specifically preclude advocacy on any issue.

The Conference's primary work is in producing a weekly legislative report, analyses of bills going to the floor, background papers, and briefings, seminars and roundtable discussions for Members and staff.

In addition, we provide our Members with a variety of special services, ranging from status reports on specific issues to limited individual assistance on request.

Our major concern with the proposed regulations dated September 11, 1981, is that they make no distinction among organizations in terms of their objectives and funding. They will deny us more than one-third of the funding with which we operate. Specifically, we would be denied the right to charge subscription fees to our weekly legislative report to outside organizations and individuals.

We take no outside contributions, nor do we have any sister institute.

We would urge the task force to amend the proposed regulations to permit our continuance of this practice. No conflict of interest is involved, nor is there any use of government funds or personnel to make money. The subscription funds merely cut the cost to Members of a service which has been deemed highly beneficial, both to the Members and to the legislative process itself.

Specifically we recommend amending Paragraph 5 to read:

"5. A Legislative Service Organization may receive payments from persons outside of Congress who receive copies of written reports, analyses, etc., which the organization provides its Members. However, such payments received by a legislative service organization which engages in any lobbying or other activity to influence legislation or legislative or executive agency actions shall not exceed the amount expended for postage to mail reports to persons making such payments."

This would make an appropriate distinction between advocacy organizations and non-advocacy organizations which receive subscription revenues. It would prevent advocacy organizations from simply replacing outside contributions with subscriptions to those same outside contributors as a means of raising revenue to influence legislation or administrative policy beneficial to those outside interests.

An alternative approach you have previously considered was contained in the resolution (H. Res. 766) the House Administration Committee developed in 1977 to regulate informal groups and for other purposes. That resolution, as you recall, was voted down by the House for reasons unrelated to language we thought was well-drafted.

Under Sec. 612(6)(B) of H. Res. 766, legislative service organizations could receive payments for publications and other services from persons outside Congress, but such payments could not exceed the membership dues and research fees paid by Members of Congress.

This would permit a logical and reasonable distinction between subscription and similar revenues, and contributions—allowing the former within limits, while barring the latter completely.

Using language taken from Section 612, this alternative would amend your proposed Paragraph 5 to read:

"5. A Legislative Service Organization may receive payments from persons outside Congress who receive copies of written reports, analyses, etc., which the organization provides its members. However, such payments shall not exceed the amount [expended for postage to mail reports to persons making such payments.] *which Members of the Congress are required to pay for such reports.*

Although we prefer the first alternative, we believe either approach would meet the task force's goal of stopping conflicts of interest, undue outside influence or any appearance of impropriety. Either alternative also would permit the conference and other groups to use "unassailable" subscription revenue to support our work.

Without a change of this sort, the regulations will have a significant adverse impact on the Conference and its Members. We will be forced to either cut services by more than one-third or massively increase dues (more than ten-fold), or a combination of both.

In any case, both Congress and taxpayer lose, without any offsetting benefit. Also without such a change, the Congress and the taxpayer will be subsidizing the distribution of reports to the private sector.

A conforming amendment would modify Paragraph 3 to read:

"Any entity which receives contributions of any form of income, either direct or in-kind, from any source other than Members of Congress through their Clerk-Hire or Official Expenses Allowances or other than specified in paragraph 5, shall not be located in space under control of the House Office Building Commission or shall receive no other support from the House or from Members of the House via their Clerk-Hire or Office Expenses Allowance."

We also recommend correcting what appears to be a inadverténtly drafting oversight. Paragraph 1(c) should be amended to read:

"Receives support from Members of the House or Members of the House and Senate via their clerk-hire or official expenses allowances, or from the House itself in the form of office space, furniture, furnishings, telephone service, etc."

This would make 1(c) consistent with the rest of the regulations. If this change is not adopted, it would force our conference to split in two and to create two separate staffs. The result would be duplication, inefficiency and increased costs overall.

We have two other minor amendments to suggest.

The proposed regulations would prohibit our Senate Members from paying their dues with "unofficial" office accounts. Most Senators now pay their dues out of these accounts or out of the Senate campaign committee accounts, and we think the House regulations should specifically permit this.

The regulations also prohibit interest income. The conference and other LSO's receive membership fees and subscription fees once a year but spend those funds over the next 12 months. The conference holds those funds in saving accounts at the Congressional credit unions and earns interest on them. This generates for us a small, but not insignificant source of extra income to use to support our services.

Amendments to permit these two bona fide practices should be relatively easy to add to the proposed regulation.

There is one final concern.

Under the current clerk-hire system, LSO staff payrolls are subject to the vagaries and fluctuations of month-to-month contributions from Members. In some months, the conference can't meet its payroll, while in other months we may be offered more than we can use.

This happens even though the clerk-hire raised and the staff payroll equal one another over time.

In recognition of this problem, your committee proposed a clerkhire pooling concept for LSO's in Section 601 of H. Res. 776. This section had widespread support both among the caucuses and on the committee.

We would urge the task force to add similar provisions to the regulations now pending before you.

In addition to easing internal payroll and budgeting problems for caucuses, such provisions would fill a major gap in the regulations and establish a carefully controlled system for clerk-hire contributions, which represent the largest portion of many LSO budgets.

We now answer specific questions you have posed.

FUNDING OF LSO'S

Question. Would you support a proposal to prohibit legislative service organizations from receiving any outside funds, thereby restricting LSO's to monies derived from clerkhire and from Members' dues.

Answer. No. Such a proposal, although attractive in its simplicity, would not recognize differences among LSO's, their goals and their funding. The result may be substantial damage to some organizations, their members and the Congress, for no reason other than the admitted difficulty in making reasonable distinctions.

The practical effect of such a proposal would be to discriminate against nonpartisan, non-political "good government" groups like the conference. We already have a tough time competing for scarce funds with the partisan groups, regional groups and special interest groups that members may "have" to belong to or that members receive concrete political help from.

Aggravating the situation is that the job of the conference—independent research and analysis and much printed material—requires more money than many of the political groups who do little research or publications.

The fact that we are non-political also would make it tough for the conference to attract private contributions if they were allowed.

But this weakness inside Congress turns into a plus outside Congress, where there are many more people with much more money to spend on objective reports and analysis.

The proposed regulations, however, would make congressmen pay significantly more money for a service that outsiders could get for the price of a stamp.

Question. If such a regulation were adopted, how would this impact on your organization.

Answer. The conference would lose approximately 37 percent of its current budget. This would require a deep cut in services to our members, or a massive increase in dues (more than 10-fold), or a combination of both. The result could be a major loss in membership, which would force another round of dues increases or service cuts.

Such a regulation might force the conference to set up an independent research and publishing institute outside Congress to take up the slack.

The institute could use non-Congressional funds to produce reports for our members.

Question. What is your view of the proposal to limit the outside funding of LSO's to a specified percentage of an organization's annual income?

Answer. A percentage limit deserves consideration. We would recommend a 49 percent cap, coupled with stricter reporting requirements than proposed. This combination should achieve the committee's goals, while making allowance for difference among groups. It is certainly simpler than writing all kinds of exceptions and limits on exceptions.

We would suggest that the cap be based on total spending rather than total income. For the conference, it would be impossible to control how much income we receive from outside subscriptions unless we put an arbitrary cap on the number of subscriptions we make available to the outside. Any excess income could be used the following year in order to encourage members to contribute more.

Question. Currently, what is the approximate percentage of your funding derived from: clerkhire/official allowances? Subscriptions to your publications? Members, dues? Outside funds?

Answer. Clerkhire/official allowances: 67 percent in 1980, 60 percent projected in 1981.

Subscriptions: 29 percent in 1980, 37 percent projected in 1981.

Members, dues: 4 percent in 1980, 3 percent in 1981. All House dues are paid out of official expenses. But the majority of Senate dues are paid out of unofficial office accounts.

Outside funds: 0 percent.

We also receive interest from the Congressional credit unions on saving accounts. This money represents membership and subscription fee "reserves" or "liabilities" (for example, money received on the first of the year but spent over the next 12 months).

Some provision should be made to allow Senate dues from "unofficial" accounts and interest income.

DISCLOSURE REQUIREMENTS

Question. Should the present semiannual reporting requirement be replaced by a quarterly reporting requirement?

Answer. We would support a quarterly report.

Question. Would you support lowering the present $1,000 threshold for disclosure of receipts and disbursements to $500? $100?

Answer. We support a $100 threshold.

Question. In your opinion, should disclosure reports provide salary data on all LSO staff?

Answer. Yes.

Question. Are there any aspects of the present disclosure requirements which you believe should be altered?

Answer. Other than the above, no.

MEMBERSHIP

Question. If restrictions on outside funding are imposed, several of the caucuses which, because of a limited membership base, may be negatively affected. Are there any exceptions which should be accorded to such groups if outside funding is restricted or eliminated?

Answer. This begs the real issue, which is that there are many differences among groups, besides their membership base, that affect their ability to compete for scarce clerk hire and dues and their need to rely on outside funds or subscription revenue.

We would obviously support an effort to take all these differences into account.

IN-KIND SERVICES

Question. Should LSO's be allowed to accept in-kind support (internships, hosted conferences, independent research work) from sources outside Congress.

Answer. No, unless LSO's can also accept outside money. The same restrictions ought to apply to both in-kind and cash contributions.

Question. Has your organization ever accepted such in-kind services in the past?

Answer. Yes, internships.

Question. If in-kind services are accepted, should requlations require that all such services be so indicated on disclosure reports?

Answer. Yes.

INSTITUTES

Question. Do you maintain a research institute?

Answer. No.

PUBLICATIONS

Question. Do you presently maintain an outside mailing list for your publications?

Answer. Yes.

Question. Is a set subscription fee charged for receipt of your publications?

Answer. Yes, $250 per year for the weekly ligislative report. In addition, we mail the report on a complimentary basis to approximately 100 members of the press, executive branch officials, and etc. We also sent our reports on a complimentary basis to approximately 200 committee and miscellaneous staff members in Congress, another 100 to the press galleries and another 100 to the cloakrooms.

Question. What is your view of a regulation which would restrict LSO's to recovering only mailing costs from publications sent to non-Congressional groups or individuals?

Answer. We strongly oppose such a proposal. Allowing only mailing costs would force us to use our members clerkhire and dues to pay for the other, substantial costs of printing and distributing our reports to people outside Congress and maintaining mailing lists. And since the fee would be so low, we would receive thousands of requests for our reports.

The result will be a substantial curtailment in services to our members.

Question. Would it be preferable to allow such LSO's to recoup publication as well as mailing costs? What would you consider an appropriate difinition of "publication cost?"

Answer. Yes, it would be preferable, but it would still not be acceptable or equitable. Anything short of allowing recovery of outsiders' proportionate share of the full publication costs would mean a Congressional—and taxpayer—subsidy to the private sector. Anything short of that would mean that Members of Congress would be paying more than the private sector.

By full costs, we mean everything—research costs, the printing and mailing costs, the time it takes for the staff director to supervise the outside mailing lists, the time spent by the receptionists to answer their inquiries, the mailing list maintenance costs, the time and postage cost of mailing an extra copy to a subscriber, the computer time for the mailing list, the bookkeepping expense, and so on ad infinitum.

However, it is obvious that it will be impossible to determine the full costs in this way.

Alternatively, we would recommend the options we mentiioned before—limiting advocacy groups and allowing non-advocacy groups to use "unassailable" subscription revenue within limits or limiting subscription charges to the amount charged to members.

MISCELLANEOUS

Question. What benefits do you associate with your organizations being located on the Hill?

Answer. The benefits of being located in Congress are many and significant, including access to congressional services, ranging from the mail, to pages, to delivery service, to the Library of Congress, office and equipment supply, GSA prices, printing clerks, use of meeting rooms, parking and so on; status and credibility; and free office space and furniture.

Question. If only those organizations which are exclusively funded from congressional sources were permitted to remain in congressional space, how would this impact on your group?

Answer. The conference would have to curtail services, increase dues, or both. In addition, we probably would be forced to set up a research institute off the Hill to take up the slack.

Question. If regulations were adopted limiting or prohibiting outside income, would your organization be able to comply if the effective date were set as of January, 1, 1982.

Answer. It would be extremely difficult to make such a rapid adjustment. We would recommend at least another three months, and preferably six months, to ensure a smooth transition.

Question. Should LSO's be prohibited from receiving grants from executive departments?

Answer. Yes, if other outside income is prohibited. No, if other outside income is allowed.

Mr. **Ratchford.** We thank you gentleman for his statement. It will be included in the record and we thank you for a thoughtful analysis of that first draft of proposed regulation put together by staff.

Now, your caucus, obviously, is one of the more significant ones as far as participation of members, as far as impact on the body and as far as dollar is concerned.

If our records are correct, you received in a period between January 1980 and June of 1981, $192,587.22.

Mr. **Wolpe.** That's correct.

Mr. **Ratchford.** Do you, as a very active and certainly one of the more effective members, feel that any proposal that results in the continuation of accommodation of a combination of public and private funding is one that can be justified under our current rules?

There are prohibitions on members presently from unofficial office complaints. Two, we can't accept, in a limited sense, outside income.

Three, we are prohibited from accepting corporate contributions. Yet, LSO's that exist around here in many cases are a combination of clerk-hire, corporate money that is solicited from the corporate community, in one instance, money from an overseas government—do you feel that this type of situation can continue around here in this body and the body retain any semblance of integrity?

Mr. **Wolpe.** I think there is a need for some tightening up of regulations. That is why we support the effort underway by your committee.

We have made specific suggestions for ways of tightening those regulations but we think it is critical that we not throw out the baby with the bath water.

There are distinctions that are valid that can be made between the role of an individual member and the activities of the caucuses. Individual members, for example, have direct access to all sorts of resources that are supported by our office accounts and by the various technology that we have access to.

The congressional caucuses do not have direct access to those same resources. I think it is for that reason the Obey Commission earlier gave some careful consideration to whether or not the precisely same limitations that applied to individual members would be appropriate to apply to caucuses collectively and they came to the conclusion there were some distinctions that warranted somewhat different treatment.

I think there are some legitimate points of difference. For example, the receipt of subscription income be appropriately limited, as we have suggested, I think would be one such distinction that would be warranted.

Mr. **RATCHFORD**. Given the time, just one further question. An issue raised to all three members of the panel consistently is if there is a strict prohibition of combining clerk-hire with outside income, there be separate treatment for publications and subscriptions.

I guess what you are saying is if that occurs, definitely there should be a separate standard. Do you know roughly how much your organization takes in and could you restate it for the record?

Mr. **WOLPE**. The Conference receives presently about 37 percent of its current budget from subscription income. So that is obviously a substantial piece of that original figure that you cited.

If we could not receive that income in some fashion, it would require either substantial cutback in service or substantial increase in dues and clerk-hire payments or some combination of the two of those.

Mr. **RATCHFORD**. Do you have any final opinion as to whether or not the rules relating to ethics apply to LSO's?

Mr. **WOLPE**. The Ethics Committee itself did consider this question and came to the conclusion that the provision of this kind of external funding under some circumstances was appropriate.

I think it is important to put limitations on the kinds of contributions that come into the Congress, to limit special-interest influence or the appearance of impropriety.

I think that it is important, however, to distinguish between advocacies and nonadvocacies. I think it is appropriate to attempt to develop organizations that would provide for such subscription income in such a way there could be no suggestion of impropriety in the exercise of influence by special-interest organizations.

I think that can be done.

Mr. **RATCHFORD**. I thank you for your frank discussion and yield to Mr. Lee.

Mr. **LEE**. On your last point, how would you delineate between an advocacy group and nonadvocacy group?

Mr. **WOLPE**. I think probably the sharpest distinction is whether the organization ever takes a position with respect to legislation. Either a bill or an amendment or any aspect of legislation.

The Environmental Study Conference never takes positions with respect to legislation.

Mr. **LEE**. Relevant to the use of the frank, as you know, many caucuses do use the frank. Do you think that should be prohibited?

Mr. **WOLPE**. Our Conference does not employ the frank.

Mr. **LEE**. Many caucuses do use the frank. I am aware you do not. Do you think all caucuses should be prohibited from using the frank?

Mr. **WOLPE**. I want to reflect on that a bit. I think it probably would be very difficult to define a rule that would not be open to abuse in permitting the use of the frank, but I would not want to say that definitely without hearing discussion on that.

Mr. **Lee**. Where subscriptions are pursued by the various caucuses—if we were to continue to permit that—how would you police the certainty that the revenues being received through the subscription mechanism were not really being utilized to circumvent the outside funding if we were to adopt the proposal that no outside funding would be permitted?

Mr. **Wolpe**. There are a couple of possible approaches. One would be along the lines of the Obey Commission recommendation which would be to limit the amount of revenues that could be generated by subscriptions, making it less than by some figure the total amount that would be contributed by members.

This is a way of minimizing any potential control or undue influence on the part of contributions coming in.

I have heard a related question put occasionally: How do you insure the content of the publication is not advocacy?

There, I think that we do have in place, for example, mechanisms now within Congress to review content of newsletters to make certain they are nonpolitical and are not simply advocacy pieces for individual members.

I think there is that kind of institutional mechanism we could resort to for evaluation of content of publications and the question as to whether they are being used to circumvent the intent of the rule.

Mr. **Lee**. One last question. Do you think your caucus has complied with the spirit and the strict interpretation of the Rules of the House pertinent to caucuses or legislative service organizations?

Mr. **Wolpe**. Very definitely.

Mr. **Lee**. Thank you, Mr. Chairman.

Mr. **Ratchford**. Mr. Swift.

Mr. **Swift**. One question, Mr. Chairman.

If we were to do what you are proposing, I think it might be the only exception that we would make to the draft rules. The problem with writing a loophole is then you draw everyone's attention to that.

In other words, if this is the only out we provide and we do it for your caucus and the Congressional Women's Caucus has a publication, is that not going to lead others who will then be cut off from other sources of revenue to suddenly develop publications, some of which may be not as thoughtful as yours because they would be devised purely for the purpose of raising revenues, something that could be stamped out quickly, cheaply, certainly avoiding anything that would appear as advocacy so they don't get nailed on that but nevertheless, able to raise significant funds that way.

In other words, couldn't the loophole or the exception you are proposing be abused very badly and how would you possibly control it?

Mr. **Wolpe**. I think, first, we are not pretending any of these efforts of drawing appropriate distinctions are easy. But we think the exercise is an important one so we don't undermine valid legitimate efforts that are making an important contribution to the work of the Congress and we think are performing an important public service thereby.

I think it can be argued that it is not as likely that an organization that has an advocacy function with respect to internal operations of the Congress is going to invest the kinds of resources and time and effort that is required to produce the kind of publication the Environmental Study Conference produces.

That is a diversion of its own effort and time and purpose.

Mr. **Swift**. Let me interrupt to suggest I am suggesting that if we provide this as the only avenue to raise additional funds that there may not be any concern in publishing a quality publication, just anything, may be what you do—it is a service and you take clips out of that week's Washington Post.

You send it around, you charge $150 a month for it and you raise your money that way. If we close off every other avenue, we are going to make the people who look for loopholes seize on this particular point.

Then you don't want some committee in charge of what is a serious publication and what is a frivolous publication. You get into terrible problems. I think this is an unfair question to throw at you and expect you to respond there.

However, we all recognize that when we go back to the full committee, if we recommend any exceptions to a simple LSO, we are going to have to defend that in the strongest possible terms and if you give any additional consideration or thought to the question I raised and you can convey it to us or the staff, it would be extremely helpful to us.

Mr. **Wolpe**. We fully recognize and have pondered this question that you present already. There is not an easy answer.

The question, I guess, ultimately comes down to, do we want to make much more difficult the legitimate activities by adoption of a rule or do we want to make the effort of allowing enough discretion and judgment to be exercised to preserve a valuable function?

Mr. **Ratchford**. We thank the gentleman.

We now have other witnesses to hear. I remind our panel and the Members we have eight witnesses to hear between now and 12:30, so we will attempt to move on hearing next from Mr. Edgar on behalf of Northeast-Midwest Congressional Coalition.

Again, your full statement will be contained in our record.

TESTIMONY OF HON. ROBERT W. EDGAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA, AND CHAIRMAN, NORTHEAST-MIDWEST CONGRESSIONAL COALITION

Mr. **Edgar**. Thank you, Mr. Chairman and other members of the task force. I want to not only thank you for the opportunity to testify before the subcommittee this morning, but also to applaud you and the House Administration Committee's efforts to regulate the caucus system.

The caucuses in Congress have emerged in many instances out of a need into a vacuum of rules and regulations, and I think that what you are about, in proposing new language and strengthening the caucus system by regulations that can monitor that system, is important.

Reform, I think, is the right word because the committee is trying to improve, rather than abolish, the network of legislative support organizations. Over the past several years, the unchecked proliferation of caucuses and affiliated research organizations has opened the door to abuses. But the committee should, I believe, recognize that these organizations have become essential to the legislative process. They have stepped in to fill the information gaps caused by three events. Let me focus on them.

First, I think, is the evident failure of party structure to provide the concise, detailed, and timely information needed by Members of Congress to make intelligent decisions regarding public policy problems that have become increasingly complex.

I was elected to Congress in November of 1974 and since my election to Congress there has been the formation of such groups as the Environmental Study Conference, the Clearinghouse on the Future, Northeast-Midwest Coalition, and other organizations to cut across party affiliation, party lines, and provide information to Members of Congress that was not available by party structure.

Second, the rigidities in the congressional committee structure make it difficult for Members to deal with issues which do not conform readily to neat committee categories.

I serve on the Public Works and Transportation and Veterans' Affairs Committees. I focus on issues like public transportation, economic development, water resources, airport development.

A Member of Congress who may serve on the International Relations Committee or the Armed Services Committee may not be able to look across issues from the perspective of their impact on the Nation and on the region. And I think with the complexity of our day and the specialties that the Members of Congress make in their committees and subcommittees, a number of these organizations and caucuses provide the opportunity for Members to look beyond their committee and subcommittee structure and to have a resource staff beyond the one or two or three elective assistants that they can afford with their clerk-hire.

Third, is the failure of traditional congressional information-gathering methods—major staff organizations, the hearing process, et cetera—to address research and analytical problems regarded by Members and their constituents as important.

I have served as chairman of the Northeast-Midwest Congressional Coalition since 1978. Through the Coalition more than 200 Members of Congress have affiliated, not to defend one industry or special interest, but to help us understand the regional implications of Federal policy and to put together those programs which help distressed cities and States solve their economic problems.

With the help of the separately incorporated, financed and operated Northeast-Midwest Institute, a private, nonprofit research organization which makes its findings available not only to Members of Congress but also to a very wide public audience, including Governors and other elected officials, leaders in business and labor, decisionmakers in the executive branch and the press, the Coalition has provided its members with professional analyses unavailable from any other source.

We have become the primary channel of information on the relationship between Federal policy and the economic stresses robbing our cities of investment, industry, and jobs. In the process, the Coalition's sphere of influence and of legislative concern has expanded to include distressed cities and communities in every region, not only the Northeast and Midwest.

I know the Coalition and Northeast-Midwest Institute have helped me better fulfill my duties as a public official, and I believe that many of our colleagues would say the same. The caucus system has become so valuable that I strongly believe it must be protected and strengthened. And in the case of this particular process regulated squarely in the sunshine so that the public has full understanding of what we do as coalitions and caucuses.

[The statement of Mr. Edgar follows:]

STATEMENT OF HON. ROBERT W. EDGAR, A MEMBER IN CONGRESS FROM THE STATE OF PENNSYLVANIA, AND CHAIRMAN, NORTHEAST-MIDWEST CONGRESSIONAL COALITION

Mr. Chairman, I greatly appreciate the opportunity to testify before your subcommittee on the draft regulations governing legislative service organizations.

I applaud the House Administration Committee's effort to regulate the caucus system. Most of the new language, in my opinion, would strengthen the caucus system and close a serious gap in the House rules. It is my view that the proposed reforms are absolutely necessary.

"Reform," I think, is the right word, because the committee is trying to improve, rather than abolish, the network of legislative support organizations. Over the past several years, the unchecked proliferation of caucuses and affiliated research organizations has opened the door to abuses. But the Committee should, I believe, recognize that these organizations have become essential to the legislative process. They have stepped in to fill the information gaps caused by failures of the party structure to provide the concise, detailed and timely information needed by Members of Congress to make intelligent decisions regarding public policy problems that have become increasingly complex rigidities in the Congressional Committee structure which make it difficult for Members to deal with issues which do not conform readily to neat committee categories.

Failures of traditional Congressional information-gathering methods (major staff organizations, the hearing process, etc.) to address research and analytical problems regarded by Members and their constituents as important.

I have served as chariman of the Northeast-Midwest Congressional Coalition since 1978. Through the Coalition more than 200 Members of Congress have affiliated, not to defend one industry or special interest, but to help us understand the regional implications of federal policy and to put together those programs which help distressed cities and states solve their economic problems. With the help of the separately incorporated, financed and operated Northeast-Midwest Institute—a private nonprofit research organization which makes its findings available not only to Members of Congress, but also to a very wide public audience, including Governors and other elected officials, leaders in business and labor, decision makers in the Executive Branch and the press—the Coalition has provided its Members with professional analyses unavailable from any other source. We have become the primary channel of information on the relationship between federal policy and the economic stresses robbing our cities of investment, industry and jobs. In the process, the Coalition's sphere of legislative concern has expanded to include distressed cities and communities in every region, not only the Northeast and Midwest.

I know the Coalition and Northeast-Midwest Institute have helped me better fulfill my duties as a public official, and I believe that many of our colleagues would say the same. The caucus system has become so valuable that I strongly believe it must be protected and strengthened.

My concerns at this time, Mr. Chairman, are that the proposed regulations may unintentionally jeopardize the continued existence of the caucus system. I believe the hasty expulsion of legitimate, independent research organizations from House space would weaken or destroy the ability of many caucuses to provide the services for which they were created. I don't think the House Administration Committee should ignore the potential problems which can be caused by the irresponsible use of outside funding, but the Committee should establish a one year transition period extending from the January 1, 1982 effective date to allow those caucuses receiving non-Congressional funds to decrease their dependence on outside support. Without such a period, most caucuses would not be able to revise their operating procedures in time to comply with the proposed regulations and would be unable to remain in operation.

In addition, the Committee should also consider an appropriation to caucus chairs for the exclusive purpose of administration support for legitimate caucuses (e.g. typewriters, xerox machines, telephones, etc.). This appropriation of course, would only be given to those meeting the criteria for a legislative service organization. The amount of this allocation could be determined by: the size of the caucus staff; the percentage of membership that contributes clerk-hire or dues; or an established percentage of the organization's total operating budget.

The costs involved in maintaining an office are very high. The Northeast-Midwest Coalition employs six staff people. An approximate annual amount for operating an office this size is $27,500.00. This includes: Xerox machine, $2,500; basic phone service (long distance calls not included), $2,500; stationery, $3,000; typewriters (3), $4,500; office supplies (approximate), $15,000.

Given the pressures on Member's allowances and their support of caucus salaries, this amount would be practically impossible to raise through Members' official expense allowances. Without some additional assistance, most caucuses would be forced to close.

In addition to the above suggestions, I believe the proposed regulations can be tightened in these three areas:

Section 5 of the regulations states that a legislative service organization may receive payments from persons outside of Congress who receive copies of written reports and analysis, but such payments may not exceed the amount expended for postage. I believe this section should be expanded to include payments to the legislative service organization to cover the postage and production of reports.

The section on reporting requirements uses $500.00 as the aggregate amount which must be disclosed as a disbursement. I believe this section might be improved by requiring that all disbursements in excess of $100 be filed with the Clerk of the House.

Also under the financial reporting requirements section, a listing of all reports, analyses and other materials provided to members which were prepared in whole or in part by persons other than persons employed by the legislative service organization must be sent to the Clerk of the House. In addition to the listing, a copy of these reports should be filed with the Clerk of the House or the Library of Congress.

Since its inception in 1976, the Northeast-Midwest Congressional Coalition has adhered to strict internal regulations to govern its relationship with the Northeast-Midwest Institute. These regulations, in some areas, are even more stringent than those being proposed by the Committee. I would like to submit these guidelines, as a model, for the Committee's use. These standards, of course, would have to be phrased more tightly in legislation:

Caucuses should be legally, financially, and operationally distinct and separate from research organizations formed at the suggestion of caucuses.

Caucuses which receive any non-Congressional funds should be legally incorporated in the District of Columbia and should meet the demanding standards of Section 501-C-4 of the Internal Revenue Code.

Caucuses should comply fully with all applicable Congressional reporting disclosure rules.

All caucus organizations should keep a complete set of books covering all income from Members and external sources, and all expenses, whatever the source of revenue. These books should be open to public inspection.

Caucuses receiving only clerk-hire funds for staff should use House office space.

Caucuses should have the option of inviting research organizations formed at their suggestion but financed with non-Congressional funds to use separate Congressional office space already assigned to the caucus. When occupying adjoining space, research organizations should clearly distinguish space used by the "host" caucus organization from that used by the research organization.

Research organizations ought to meet the rigid standards of Section 501-C-3 of the Internal Revenue Code, should be separately incorporated in the District of Columbia with a Board of Directors that includes no Members of Congress or congressional staff, should maintain separate sources of funds, and should keep separate books and accounts.

The legal and financial distinctions should not be mere artifice, but rather should characterize their operations as well. While caucus organizations should be helping their Members and Senators carry out organizational tasks and accomplish legislative objectives within the Congress, research organizations working with caucuses should confine themselves to be reliable sources of accurate and impartial research, analysis, and other information concerning the issues of interest.

From time to time Members or Senators may request assistance from research organizations in the drafting of legislative language. Since such activities are specifically exempted from the Internal Revenue Code if they are requested in writing by a Member of Congress, research organizations should insist on receiving a carefully drawn, written request from a Member or Senator before beginning work on such a task.

In conclusion, Mr. Chairman, I'd like to re-emphasize my major points:

In order to allow caucuses a sufficient amount of time to comply with whatever regulations the Committee adopts, a transition period from the effective date of January 1, 1982 should be established.

An expense allowance should be appropriated for caucus chairs to provide administrative support to the caucus.

I strongly believe that these measures are absolutely essential for the continuation of the caucus system.

Let me again state my strong support for the Committee's reform measures. The Committee is to be congratulated for moving quickly to halt the potential abuses in the Caucus system.

Thank you very much for the opportunity to testify before the subcommittee this morning. I realize that my testimony does not fully address the questions circulated last week by the subcommittee. I have answered these questions in detail and have attached them to my testimony. With your permission, I would like to submit these for the record.

APPENDIX

Funding of legislative service organizations

I would support a proposal to prohibit legislative service organizations from receiving outside funds, provided additional Congressional support is made available. I feel this can best be accomplished through an appropriation to caucus chairs for the exclusive purpose of administrative support for legitimate caucuses (e.g. typewriters, xerox machines, telephones, etc.). This appropriation, of course would only be given to those groups meeting the criteria for a legislative service organization. (These groups should be reviewed at the beginning of every session of Congress to ensure that they continue to meet the guidelines defining legislative service organizations.) The amount of this allocation could be determined by: the size of the caucus staff; the percentage of membership that contributes clerk-hire or dues; or an established percentage of the organization's total operating budget. If the Committee does not recommend an appropriation or a similar method of providing increased Congressional funding, I would be forced to support the use of limited, carefully scrutinized outside funds by caucus organizations.

100 percent of the Coalition's funding is derived from clerk-hire and official allowances. These funds are used for staff salaries and stationery.

Disclosure requirements

A quarterly reporting requirement should be adopted. This would enable both the legislative service organization and the Clerk of the House to keep more detailed and accurate accounts than the present semiannual system allows.

As stated in my testimony, I would support the disclosure of any receipts and disbursements totalling $100.00 or more.

Disclosure reports should provide as much information as possible so that the Clerk of the House can maintain accurate, detailed records. If salary data is helpful in this process then it should, of course, be included.

In-kind services

Members of Congress rely heavily on the work of interns and independent research organizations to supplement the information they receive through the Congressional process. Members also participate in conferences that are financially hosted by private groups. I believe that such services, available to Members on an individual basis, should also be available to Members acting as a group—in the form of legislative service organizations. These services should be disclosed in a report to the Clerk of the House.

The Northeast-Midwest Congressional Coalition has made ample use of the services mentioned:

Interns.—Internships are very valuable both for the intern and the sponsoring organization. The intern is able to witness and participate in the legislative process. In turn, the student provides the sponsoring organization with much needed research and staff support.

Independent Research Work.—With the help of the Northeast-Midwest Institute, a private, nonprofit independent research organization, the Coalition has provided its members with professional policy analyses unavailable from any other source. We have become the primary channel of information on the relationship between federal policy and the economic stresses robbing our cities of investment, industry and jobs.

Institutes

The Coalition does not maintain an Institute. The Coalition has invited the Northeast-Midwest Institute, a private, nonprofit research organization to utilize spare House space assigned to the Coalition. The Institute makes its findings available not only to Members of Congress, but also to a very wide public audience, including Governors and other elected officials, leaders in business and labor, decision makers in the Executive Branch and the press. The two organizations maintain separate rooms and mailing addresses. For administrative convenience and efficiency, the Coalition and Institute share such items as typewriters, telephones, and xerox equipment. But, the Coalition and Institute are legally, financially, and operationally separate.

Publications

The Northeast-Midwest Institute distributes its publications to Members of the House and Senate, members of the press, state and local governments, public interest groups, and private individuals. Publications are distributed free of charge to Members of Congress. A small fee to partially cover production costs is charged to outside groups and individuals.

The Northeast-Midwest coalition produces one-page "legislative alerts" which are distributed to Members of Congress free of charge.

I believe that legislative support organizations should be able to charge non-Congressional groups and individuals a price that would cover both the production and mailing of the material. If organizations are only able to charge for postage, they will, in effect, be losing money. They will have no way of recovering the losses incurred from the production process—the typing, reproduction, distribution and staff time involved.

Miscellaneous

In order for the Coalition staff to properly carry out their job—providing its members with timely regional analysis of legislative initiatives—they need to have the most current, accurate information available. This can only be accomplished by having easy access to the sources of this information—the House floor and Committee hearings.

As stated in my testimony, I believe a one year grace period from the January 1, 1982 effective date should be established in order to allow those caucuses receiving non-Congressional funds to decrease their dependence on outside support. Without such a period, most caucuses would not be able to revise their operating procedures in time to comply with the proposed regulations and would be unable to remain in operation.

If an organization wishes to relocate into private space, for example, a lease would need to be signed by October 15 in order for the group to be out of House office space by January 1, 1982.

Legislative Service Organizations should be prohibited from receiving grants from executive departments. They should be funded only through Congressional sources.

Mr. RATCHFORD. The gentleman has a strong and positive statement which I have read. Given my time restraint, can we move to specific recommendations?

Mr. EDGAR. Let me be very quick and specific. There are five major points I would like to make from my testimony. First, the proposed reforms are absolutely necessary. Second, caucuses have become essential to the legislative process. Third, this committee should establish a 1-year grace period from January 1, 1982, to an effective date to allow caucuses to decrease dependence on outside funds.

What we are suggesting by that 1-year grace period is as you develop and devise a clear reform process to regulate the various caucuses, I think there needs to be a grace period of some length so that those coalitions and caucuses that rely on outside funds can in an orderly fashion decrease their dependence.

Fourth, I think caucuses should be reviewed every session to insure they maintain the rigorous standards of legislative service organization. I would think that every 2 years, as we come up for a new session of Congress there should be some analysis and some review of caucuses.

Fifth, one of the major recommendations we make may be a bit controversial, but I think it is an important one for reform, and that is that the committee should support an appropriation to the caucus Chairs determined by the size of the caucus staff, the percent of membership contributing clerk-hire funds and the percent of the organization operating budget.

This appropriation would be clearly identified to the Chair of that particular caucus, and for accounting procedures fully available to the public, but it would take care of things like Xerox machines, basic phone service, stationery, typewriters, and office supplies.

I think it is very difficult to think as you gather funds for caucuses out of clerk-hire that you can also maintain what in some instances may be as much as a $25,000 commitment to phones and Xerox and stationery and typewriters without that kind of support system.

My recommendation is to do that up front in public rather than in dribs and drabs by Members sharing their stationery accounts which would be the procedure if there was not an up-front system.

We list in our testimony a great number of specific recommendations and we also attach to our statement something which I would like to include in the record. One is a September 20, 1981, letter by Tom Cochran, director of Northeast-Midwest Institute, to Roy Petty of the Better Government Association, and then a response from Roy Petty to Tom Cochran following up on some of the recommendations that the Better Government Association has made.

[The letters follow:]

NORTHEAST-MIDWEST INSTITUTE,
September 20, 1981.

Mr. ROY PETTY,
The Better Government Association
Washington, D.C.

DEAR ROY: Thank you for agreeing to my request for an opportunity to comment on Better Government Association's (BGA) memorandum entitled "Informal Groups and the House Ethics Code," dated September 18, 1981. I understand, per our conversation of September 19, that the BGA's full report on the results of its "informal groups" study will not be completed for some time and that comments made now can still be taken into account in the drafting of the complete report.

I'll start by acknowledging that I am one of those who, as the memorandum notes, feel that "troubling ethical and legal questions are raised by the operation of informal groups" in Congress; therefore, I welcome both the BGA's initiative in undertaking its study and the House Administration Committee's effort to design appropriate reform measures. When we recall that the House Commission on Administrative Review first raised a number of important concerns about the system four years ago, meaningful improvements in Congressional regulation of the system probably are overdue. This is particularly true in view of the rash of very narrow interest organizations which have developed in the last year or two. I was looking forward to the study with high hopes.

However, given the reputation of the BGA as a thorough, careful, and objective watchdog organization, the September 18 memorandum is very disappointing. Before moving to address those portions of the memorandum which deal specifically with the Institute and its relationships with the Northeast-Midwest Congressional and Senate Coalitions, I think it is useful to begin with a number of more general comments concerning the memorandum:

1. The informal groups are the creation of the Members of Congress and any thorough analysis of that system would have included systematic interviews with the Members themselves. But the memorandum makes no mention of such an effort and we have to assume that it was done. If it was done, a summary of the results, the number and positions of those interviewed and similar data should have been presented. If it was not done, use the study must be regarded as inexcusably careless in its methodology.

2. Although the memorandum notes that "There seems to be widespread argument that many House caucuses provide important and beneficial functions," this is literally the only mention made of that important observation. But it is perhaps the most important point made in the entire document. Equally important, there is little, if any, information on the history of informal groups in the Congress and the reasons for their development. Chief among these reasons were such factors as: failures of the parties and other Congressional leadership structures to adjust to an era in which more educated, better informed Members are requiring better leadership on increasingly complex public policy problems; rigidities and shortcomings in the Congressional Committee structure which make it difficult or impossible for Members to deal with issues which do not conform readily to neat committee pigeon-holes, (e.g., racial, environmental, and regional problems, etc.); failures of traditional Congressional information-gathering methods (the hearing process, major staff organizations, etc.) to address research and analytic problems regarded by Members, other public officials and their constituents as extremely important. For example, when Representative Michael Harrington was organizing the Northeast-Midwest Congressional Coalition in 1976, he sought the assistance of such traditional research organizations as the Congressional Research Service and the General Accounting Office to refute or deny contentions that the Northeast's share of Defense Department expenditures had been dropping for 25 years, but none of these organizations was able to provide a rigorous analysis of this extremely important questions.

3. Although the memorandum notes that informal groups have developed in both Chambers of Congress, all further discussion is focused on House-side organizations. Yet, recent news reports (e.g. Time Magazine's cover story on Senator Jesse Helms of September 14, 1981) suggest that some of the most extraordinary developments in the field may have happened in the Senate. The BGA's focus on the House only is never mentioned or justified in the memorandum.

I hope these major shortcomings of the memorandum will be corrected in the full report.

Now, I would like to direct your attention to that portion of the report which makes specific reference to the Northeast-Midwest Intitute and its relationship with the Northeast-Midwest Congressional Coalition, primarily that section on "Receipt of Federal Grants by Congressional Caucuses."

1. The discussion about the accounting practices on page 15 is incorrect with respect to the Northeast-Midwest Institute. Our organization employs a skilled bookkeeper who operates a detailed, accurual accounting system, not a cash accounting system. Morever, the accounting firm of Councilor, Buchanan, and Mitchell conducts a detailed quarterly review of our books and makes a thorough report to the Board of Directors. In addition, all our books are rigorously and independently audited every year by a separate firm: Arthur Anderson and Co. (I believe that I have provided you with a copy of our 1980 Audit Report, prepared by Arthur Anderson and Co.) Our accounting system was reviewed thoroughly by auditors of the Department of Housing and Urban Development in January 1981, and we received heartening praise for its high quality.

2. The statement that "the Northeast-Midwest Congressional Coalition, through its companion institute, has received a total of at least $677,000 in research grants" is false. The Institute has never been a conduit for funds of any kind to the Congressional Coalition. Our three-tiered accounting system, our internal rules and regulations, and our Board of private citizens from the region all insure that nothing of this sort can ever take place.

3. References to sole-source research grant relationships the Institute has established with federal agencies may imply to some readers that such procedures are unusual and signal possible favoritism. With respect to the Institute, any such suggestion is false. In drafting its full report, it is essential that BGA include the following information with respect to the Institute and non-competitive grants award procedures: the majority of all federal research procurements are now made non-competitively; the Institute's status as a non-profit research organization which dedicates its work to the broadest possible public audience makes it highly inappro-

priate for it to participate in competitive Requests for Proposal and similar procedures, which tend to carry proprietary research restrictions. Complying with such restrictions would be inappropriate for an organization which publishes all its results publicly and must keep itself free of any form of censorship; no sole-source award to the Institute can be made in the absence of careful determination by federal contracting officials that such an award is justified on grounds of an organization' unique capabilities to perform the work and/or a significant cost or time advantage to the government.

4. The memorandum's statement that the Institute's "grants were sought to finance research and policy analysis to support the caucus's legislative agenda" is, at best grossly misleading. The statement suggests that in order to build its case for passage of items on a predetermined legislative agenda, the Northeast-Midwest Congressional Coalition requests and receives studies with predetermined results. Nothing could be further from the truth; instead the process tends to operate in the following sequence:

The Institute identifies important policy research topics through extensive internal discussions and consultations with a large number of external sources, including members of its expert State Government Advisory Group, members of the academic community in Washington and around the country, executive branch and legislative branch staff, members of the press, and citizens;

A decision is made by me, usually late each calendar year, to place on our research agenda issues which I believe we have the ability to address;

Institute staff spend 3 to 12 months completing the project and writing a report which goes through a painstaking internal review and editing procedure;

The report is published with the broadest possible dissemination, usually augmented with press-relations efforts by Members fo Congress, Governors and others commenting on the study's fundings;

The Coalition may decide to take a position on any of several policy alternatives usually included in each Institute policy study, generally after reviewing our study and a wide variety of other material from such other major providers of high quality analysis as the Brookings Institution, the American Enterprise, Institute, the Urban Institute, appropriate executive agencies, etc. Coalition positions seem to be taken on issues researched by the Institute in only about 50 percent of the cases. (And sometimes the log is very long: we published our first and only major paper on regional inequities in the Medicaid reimbursement formula in the fall of 1977 and our information was not used in the policy process until the spring of 1981!)

We do not prejudge the end results of our research: our completely independent status gives us ample freedom to resist occasional pressures to produce propaganda rather than genuine analysis.

5. The memorandum's statement that "the potential exists for undue influence on the decision-making process of the contract award officers in the various executive departments" is true. But it is true in all contracting and grant processes, no matter who the potential contractors or grantee. the more important and relevant questions are: how good are the protections which have been devised to prevent such abuse, and is there any evidence that undue influence was used. At least in our organization's case, I am confident that there has been no abuse. BGA is in a position to verify this fact: one federal agency which awarded the Institute research grant money has received and responded to three successive Freedom of Information Act requests of a sweeping nature. All three were carefully drafted to elicit any information which could support a finding of undue influence being used in our behalf. No such information was uncovered because no such abuse ever existed: this point should be explicitly made in the full report; otherwise, a most dangerous innuendo will be left forever hanging over our heads.

In addition, in marked contrast to the DOE experience with the Travel and Tourism Caucus, I am confident you will find those responsbile for monitoring grants to the Institute to have been very pleased with the quality and usefulness of the work performed. You owe the readers of your full report a statement to this effect, instead of leading them to the opposite conclusion with the single Tourism Caucus example and its devasting footnote.

6. While I am pleased that the discussion "is in no way to imply criminal wrongdoing," and that "there is no evidence to indicate that any caucus members sought or received a personal financial benefit from federal contracts," the discussion of "questions in regard to two federal statutes" is very seriously flawed. For example, a statement that the Northeast-Midwest Institute was "created for no other purpose than to serve the collective needs of the legislators" who are our "members," is false. As I believe I explained to you when you interviewed me in July 1981, the Institute began life as part of the Academy for Contemporary Problems, a well-known and well-respected non-profit, tax exempt policy reesearch organi-

zation based, at that time, in Columbus, Ohio, and Governed by a Board representing eight public interest groups (National Governors Association, Council of State Governments, National Association of Counties, National League of Cities, U.S. Conference of Mayors, Council of State Governments, and Conference of State Legislators). When we were financially and administratively able, we incorporated as a separate, non-profit organization meeting the rigorous standards of Sec. 501–c–3 of the Internal Revenue Code with a Board of Directors that includes no Members of Congress nor any Congressional staff. This organization's development was actively encouraged by Congressional leaders of the Northeast-Midwest Coalition, but also by Governors from throughout the region, corporate and labor leaders in the region, and officials in the executive branch. The Institute continues to be relied upon decision-makers in all these sectors as the region's principal source of reliable information and analysis concerning the area's economic circumstances and the impact of present and alternative federal policies on that economy.

7. The separation of powers argument with respect to the Insitute would have merit if its premise–that the organization is a caucus–was true. But the Institute is emphatically not a caucus and is extremely careful not to behave as one. The legal and financial distinctions I have alluded to in our previous discussions and elsewhere in this letter are not mere artifice, as the memorandum suggests; those distinctions must and do carry through our operations as well. While the Northeast-Midwest Congressional Coalition should be helping Members carry out organizational tasks and accomplishing legislative objectives within the Congress, the Institute must, and does, confine itself to being a reliable source of accurate and impartial research, analysis and other information concerning issues of regional interst.

It is vitally important that these facts be duly acknowledged in the full BGA report.

I look forward to meeting with you and your colleagues at the earliest possible convenience to ensure a full, fair discussion of these comments. I will be in touch with you very shortly to arrange a mutually agreeable date for that conversation.

Yours truly,

TOM COCHRAN, *Executive Director.*

BETTER GOVERNMENT ASSOCIATION,
Chicago, Ill., September 22, 1981.

TOM COCHRAN,
Executive Director, Northeast-Midwest Institute,
Washington, D.C. 20515

DEAR TOM: As a follow-up to our conversations of the past few days, let me clarify the BGA's findings and recommendations as they pertain to the Northeast-Midwest Institute.

For the record:

1. We found no evidence of impropriety by the Institute or by anyone else in connection with any of the federal grants received for research projects; apparently the contract award process worked exactly the way it was supposed to work. What we did find was that the Institute has an excellent reputation for producing high-quality research that even your critics agree is objective and very much worthwhile.

2. Our concern is with potential improprieties by others in the future. We have no objection to any of the contracts that have been awarded in the past; our concern is that other organizations with less scrupulous motivations might abuse the process in the future. This is a problem which Congress will address, we hope, in the form of new rules or oversight mechanisms. However, we see no need to disrupt any existing contracts. That was not our intention.

I'd like to add, for the record, that you and your staff were very cooperative and open with us—more so than almost anyone else we dealt with on the Hill in the past four months. We appreciate that. As always, we are happy to discuss our data and findings with anyone, and hope that you will feel free to call us—or have others call us—at any time.

Yours truly,

ROY PETTY, *Staff Attorney.*

Mr. EDGAR. I draw the Members' attention to the content of the letter in response indicating their feeling that the Institute has done a very valuable service and has been upright in its evaluations and its public posture of full disclosure.

Let me conclude. We are at a good time in the history of caucuses to begin to shape procedures and regulations for reform. I think some of the abuses that have been outlined clearly have come out of the absence of the regulations that you are putting together.

You have clear and important responsibility to put together positive regulations.

I would like to join my colleague Howard Wolpe in suggesting that to eliminate caucuses, the cross-fertilization of ideas, the ability of Democrats and Republicans to have think tanks and research arms that cut across party discipline, would be a mistake for the 1980's and 1990's.

I think there are a lot of concerns we face as a Nation that do not have strictly party ideologies attached to them and the emergence of a group like the Environmental Study Conference or Clearinghouse on the Future, or our regional Coaliton, I think has filled that important need and I would urge you to protect at least having the skeletal structure to keep that caucus system together.

Thank you, Mr. Chairman.

Mr. RATCHFORD. Getting to your recommendation on the one of your grace period. Are you suggesting Members be allowed another year within which to contribute to clerk-hire, 1 more fiscal year are you talking about, 1 calendar year? What is your specific suggestion?

Mr. EDGAR. My specific suggestion does not have to do with clerk-hire. My assumption is that whatever you do with the procedures relating to caucuses there will be some clerk-hire sharing to maintain some of the staff.

What I am discussing is outside income—or where, as in our case, we have been invited in the Northest-Midwest Institute as our research arm. I think it is clear as you set procedures that the Institute must find space outside of House space.

I have no problem with that, but it takes time to make the contractual relationships with a real estate agent to find that space, and I think that 6 months to a year of time is needed to make that separation.

In most instances I think 3 or 4 months would be sufficient to make the separation once the rules become effective.

But I am just asking at this time for at least enough grace so that those separations can take place. In our case my hope is that a year from now the Northeast-Midwest Coalition will still be in place and will provide the strategic thinking for a bipartisan group of Congressmen on regional concerns.

The Institute will still exist. It will exist apart from congressional space. It will still provide the kind of creative, important service it provides, but will do so in private space funded by foundations or State grants or whatever way in which they can fund themselves, but be a think tank separate from the actual House operation.

Mr. RATCHFORD. You then would not separate out the actual regulations from my fiscal implementation. We have a 1-year or 6-month lead time on both aspects of it.

Mr. EDGAR. What I am recommending is January 1 the regulations go in effect, but there be a grace period of a year. We could live with a grace period of 6 months, but to say on January 1 that all changes must take place may not meet the reality of some of the dangers.

For example, if the Environmental Study Conference must make some major structural changes in its operation it may take some time to do that. In order not to lose the value and contribution that their research material provides to Members of Congress, I think it is essential to give them that lead time so that they don't spend all of their time trying to survive and none of their time trying to provide the valuable service they provide at this point.

Mr. RATCHFORD. Would you comment on your suggestion of an appropriation to a caucus to cover certain expenses? Is that not an open invitation for further proliferation of these groups?

Mr. EDGAR. I don't think so. I have thought this through in some depth. I think that there is more of a chance for abuse if you hide it away and allow 212 Members, as in our case, to make individual contributions that could add up to a fairly sizable sum for telephones or Xerox machine or a piece of equipment.

What I am suggesting is that every 2 years as the new chair is identified to run the Northeast-Midwest Coalition—or whatever groups have legitimate support—you can determine legitimate support by having *x* number of Members sign a petition that there is a need for the organization and it will be determined to a great extent by their ability to have staff supported by clerk-hire.

There are limitations to how much staff that would be, determined by Members' contributions. I would determine by the size of the caucus staff, by the percentage of membership contributing clerk-hire and by the percent of the organization operating budget based within limits and a framework that some contribution be made.

I have put in my statement specific analysis of our needs. If we were to take our five or six staff people in the Coalition and have to move to simply receiving clerk-hire funds, they would sit in an empty room with no telephone and it would cost $27,500 to give them equipment. That is $2,500 for Xerox machine; $2,500 for basic phone service, long-distance calls not included; $3,000 for stationery; $4,500 for typewriters; $1,500 for office supplies.

If you continue to allow us to have the caucuses and Coalition, which I think are important, then some recognition has to be made that you can't have staff and clerk-hire and have them sitting in an empty room.

Some way of regulating that up front rather than behind the scenes is important. Some will argue—and I have seen some testify and I have talked to some people—that you don't want to do that. They don't want to have an appropriation of $300,000 a year to support 8, 10, 12 coalitions up front because people will say that is an abuse. I disagree.

I think we should have some rise in the sense of full disclosure and that the Chair of each of those coalitions should be fully accountable and if there is an abuse of the system that the Chair should be brought on the carpet because of that abuse, and also we should use the sunset provision that every 2 years that coalition goes out of business unless it is renewed and brought back into being by the Members of Congress themselves who have said that this coalition has provided us with determined resources.

Mr. **Ratchford**. Before yielding to Mr. Lee, a group such as yourself would be likely to receive appropriations from a committee whose priorities were criticized as far as our part of the country.

At this point I yield to Mr. Lee.

Mr. **Edgar**. If I could respond. I understand the concern and my hope would be that Members of Congress would look above their special interest in terms of their own lines and recognize that there are a variety of interests that need to be supported on Capitol Hill. It is an interesting point.

Mr. **Lee**. Thank you, Mr. Chairman.

Congressman Edgar, I commend you on your cogent remarks. I would like to focus on two or three items if I may. First, speaking of abuses or alleged abuses. The Better Government Association on page 14 of its report makes an allegation that there has been an abuse by the Northeast-Midwest Congressional Coalition by not fully disclosing your receipts and expenditures. The last report indicated no receipts, no expenditures. Do you concur with that assessment in that report?

Mr. **Edgar**. No, I don't, because we make full accounting of our receipts and expenditures both by the Coalition and the Institute. Probably more reporting is done by our Institute and Coalition than many of the other Coalitions. In fact, I shared with some members of your committee all of the things we abide by. He said it looks like too much paperwork.

I personally for the Coalition said, "All of these are clerk-hire documents that are required by the Clerk of the House of Representatives." I, as chairman of the Coalition, have seen a full accounting of those clerk-hire responsibilities. Because of the vacuum of regulations we invited the Northeast-Midwest Institute to share our space because they have a joint mission. They pick up the cost of our phone and other office expenses. They are audited. The audits are available and fully public.

I will draw your attention to the Better Government Association which you referred to. In their followup letter to us, they say:

> Dear Tom—Tom Cochran—as a followup to our conversations of the past few days, let me clarify the BGA's findings and recommendations as they pertain to the Northeast-Midwest Institute.
>
> For the record, one, we found no evidence of impropriety by the Institute or by anyone else in connection with any of the Federal grants received for research projects; apparently the contract award process worked exactly the way it was supposed to work. What we did find was that the Institute has an excellent reputation for producing high-quality research that even your critics agree is objective and very much worthwhile.
>
> Two, our concern is with potential improprieties by others in the future. We have no objection to any of the contracts that have been awarded in the past; our concern is that other organizations with less scrupulous motivations might abuse the process in the future. This is a problem which Congress will address, we hope, in the form of new rules or oversight mechanisms. However, we see no need to disrupt any existing contracts. That was not our intention.
>
> I would like to add, for the record, that you and your staff were very cooperative and open with us—more so than almost anyone else we dealt with on the Hill in the past 4 months. We appreciate that. As always, we are happy to discuss our data and findings with anyone, and hope that you will feel free to call us, or have others call us, at any time.

We make fully available an annual audit. We have all our records available and I think any Member of Congress is welcome to all of the information. We are clearly a coalition that tries to do some strategic thinking on how to pursue concerns for 18 States in our region and 212 Members, 36 Senators on the Senate side and separate from that is a think tank institute that has done some valuable research in analyzing the level of distress of our particular region of the country.

I think this is the time in history for reform and as we move toward that reform, one of the things we are moving toward in the next year is the Institute moving out, separating itself totally in terms of physical space from our operation, but we hope to maintain the Coalition and we fully support full accounting of every penny that is spent by the Coalition.

That is part of our recommendation on the office equipment account because I think that there is more abuse that will come if that is hidden.

Mr. **Lee**. One more question, if I may, Mr. Chairman.

Citing further, Mr. Edgar, from the BGA report on page 15, if outside funding is continued to be permitted, do you think that the pursuit of grants, particularly from executive branch departments—that the pursuit of such grants should be rendered only on a competitive basis or should it be under the existing negotiated process?

Mr. **Edgar**. I think it should be competitive and I think we clearly can have competitive contracts. My view is that that relationship should be continued by institutes that are separate from House space and that ought not be a relationship once the reforms and regulations are put in place.

I have no problem with that. There was no intention on the Institute's part of doing anything that was improper. They have contracts. They received funds from State governments, from Pennsylvania and Michigan and New York and others for funding. They get foundation grants from the Ford Foundation and other foundation interests and they have contractual relationships with HUD and EDA to do regional analyses of things.

I think clearly in the new rules and regulations that should be separate and apart from the activities of a coalition, which is part of the House operation.

Mr. **Lee**. Thank you, Mr. Chairman.

Mr. **Ratchford**. Mr. Swift?

After this question, we will pause for another rollcall.

Mr. **Swift**. One question about your intriguing idea of appropriation for the caucus. Having waded through with some considerable digest getting appropriations for the standing committees of the Congress in the beginning of this session, it occurs to me that a number of things would happen. One, you just have the difficulty of getting appropriations first of all and, second, does that not put the institution in a position of deciding which caucus session it is going to permit to continue and which ones it won't. Is that necessarily a bad thing—do you think that is?

Mr. **Edgar**. I think that is a good thing. I think there are 435 of us Democrats and Republicans from the different parts of the country, and if 25 of us get together and say it is important for us to think beyond our 2-year or 6-year mentalities on what is the implication of the future and have a caucus on foresight and learning about population trends and things for the future, that is a value that is an important resource.

Mr. SWIFT. Let me repeat myself. Is it a good thing to let the other 410 Members decide that you should not be doing that, at least with appropriated funds?

Mr. EDGAR. No. I think you could set up the procedure in such a way much like asking for a recorded vote that *x* number of Members—let's say 25 Members—have to sign a petition indicating their interest in that group.

Mr. SWIFT. The appropriation would be for all of them.

Mr. EDGAR. That's right. For the Democratic Caucus meetings we need 50 signatures to have a Democratic Caucus meeting. There is no overruling of that by the other 200 Members of the Democratic Party. It takes place because 50 Members say it is important to them.

I think it could work that way with coalitions and caucuses and whatever the number is that makes sense. Twenty-five sounds like a guesstimate of a reasonable number of people who ought to feel that it is so important to them as 25 Members that they are willing to at least have 1 staff person identified to look at their issues on the future, on environment, on regional concerns, and I think that the limitation on having to raise the funds from clerk hire for the staff will limit the number of coalitions and caucuses that will proliferate.

Mr. SWIFT. Thank you very much.

Thank you, Mr. Chairman.

Mr. RATCHFORD. We thank the gentleman.

We will take a short recess. When we come back we expect to hear from Mr. Watkins on behalf of Rural Caucus, followed by Mr. Gaydos on behalf of the Steel Caucus.

The hearing stands in recess.

[Recess.]

Mr. RATCHFORD. I would declare the meeting back in regular session.

I apologize for the delay.

At this point, observing the presence of Mr. Butler and knowing that other members are going back and forth with voting, we would call him at this time to speak on behalf of the House Wednesday Group.

Mr. Butler?

I would indicate again for record purposes your entire statement would be included in the record. If you wish to summarize, we would appreciate it, given the fact we have seven more witnesses to hear.

TESTIMONY OF THE HONORABLE M. CALDWELL BUTLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA, ACCOMPANIED BY STEVE HOFMAN, EXECUTIVE DIRECTOR, HOUSE WEDNESDAY GROUP

Mr. BUTLER. Thank you, Mr. Chairman. I will be pleased to summarize.

I was to be accompanied by a member of my staff from the Wednesday Group. He may be here shortly and he will join me, Mr. Steven Hofman of the House Wednesday Group staff.

I also want to emphasize that I am not speaking on behalf of the House Wednesday Group but as a member, and I am presently the chairman, which is an honor, the source of which I am not sure of, but it is my pleasure.

If the next witness appears, I will conclude my statement as quickly as he arrives, but if you don't mind I will proceed into the full statement.

I am chairman of the House Wednesday Group but my views, the views expressed here, are my views alone, but I as chairman have been involved in the day-to-day activities and operations and I believe these are of relevance to your investigation.

I would like to stress that I fully support the proposed regulations issued on September 11 governing elective service organizations. The Wednesday Group voluntarily operates under regulations similar to those proposed.

On funding, I hope the committee will act to prohibit LSO's from receiving any funds from outside the Congress.

As noted in my September 21 letter to Committee Chairman Hawkins:

> No justification exists for an LSO to operate with funds received from outside of the Congress. Such activity creates the appearance of and potential for improper conduct and is inconsistent with rules that govern the conduct of individual Members and their staffs. In addition, such activity raises the issue of whether Members of Congress really want and need many LSO's, since they are unwilling to pay the necessary costs of running such organizations.

If such a regulation were adopted it would have no impact on the Wednesday Group. All Wednesday Group funds are supplied by its members through their clerk-hire/official allowances.

Regarding disclosure requirements, I support the proposal that would change the present semiannual reporting requirement to a quarterly reporting requirement. Some additional paperwork may be required, but that is more than offset by gains in accountability.

I also support the proposed lowering of the present $1,000 threshold of disclosure of receipts and disbursements. Far too many financial transactions go unreported because they are simply less than $1,000. Disclosure reports should also provide salary data on all LSO staff and consultants, and most importantly these reports should be certified either by the Clerk of the House or the Committee on House Administration.

Mr. Chairman, it is also my view that membership size should not be a factor in the committee's deliberations on the prohibition against receiving funds from outside the Congress.

The Wednesday Group has a staff and budget that it can support and it has done so with from 20 to 32 Members. Other groups can and should do likewise without going outside of Congress to raise funds.

The question of inkind services I believe depends upon the specific type of service supplied. Internships are examples of inkind services presently allowed under House rules, and LSO's should not be prohibited from accepting such services. The Wednesday Group has such a program and participants perform research for which they receive college credit.

However, it is the policy of the Wednesday Group not to lend its name and congressional association to conferences hosted by non-congressional groups or individuals. The Wednesday Group does annually hold a 3-day conference to which it invites experts on a particular subject to meet with the group. Members each pay through their official allowances for their share of the event, and House Administration approves the expenditures as "Official and Representative Duties."

I would also add that the Wednesday Group does not accept inkind services in the form of independent research but, instead, contracts with individual experts when the group expresses an interest in producing a report on a particular legislative issue.

Regarding the question of research institutes, the Wednesday Group does not maintain any such organizations nor does it have any association with any such organizations. All group research is prepared by its staff and outside consultants. Staff is paid by clerk-hire funds and consultants are paid by special assessment funds held in a non-interest-bearing checking account.

The Wednesday Group maintains an outside mailing list for its publications. However, the group does not charge any fee for receipt of these. The mailing list is open to the general public and currently contains approximately 250 names. The group also provides its publications to individuals and organizations which request specific reports.

It is my view that LSO's should be allowed, if necessary, to recover the costs of mailing their publications, provided that recoverable mailing costs are restricted to only the cost of postage. Allowing LSO's to recover publication costs is simply another method by which these groups would be able to raise money from outside the Congress.

I must say, Mr. Chairman, that I was disturbed when I read in the report by the Better Government Association that several LSO's have received grants from executive agencies. Such activity clearly violates the doctrine of separation of powers. It limits the independence of Congress and also gives an unfair legislative advantage to that group of Members who receive such funding.

My firm belief is that all LSO's should be expressly prohibited from receiving such grants, no matter how legitimate or valuable the research performed. Mr. Chairman, we cannot allow the Congress to expose itself so blatantly to the influence of the executive branch.

In conclusion, Mr. Chairman, I would like to stress that the key consideration before this committee is the question of LSO's taking money from outside of the Congress.

When Congress enacted rules prohibiting Members from engaging in such activities it did so to eliminate the appearance of and potential for improper conduct. I would hope that the committee's current efforts will be guided by similar considerations and strongly urge that it adopt regulations which will produce these necessary results.

[The statement of Mr. Butler follows:]

STATEMENT OF HON. M. CALDWELL BUTLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. Chairman and members of the Subcommittee, I am pleased to appear today to offer my views regarding the proposed regulations governing legislative service organizations. As you know, I am chairman of one such organization, the House

Wednesday Group. I would like to stress that the views expressed today are mine alone and do not represent the views of the House Wednesday Group. Nonetheless, as Chairman of the Group, I have been involved in its day-to-day activities and operations and believe these have relevance to the subcommittee's investigation.

Before I address the questions the subcommittee was good enough to provide as a guideline for my testimony, I would like to stress that I fully support the proposed regulations issued September 11 governing legislative service organizations. As you may know, Mr. Chairman, the Wednesday Group voluntarily operates under regulations similar to those proposed.

I will turn now to the specific questions that accompanied your letter inviting my testimony. In the interest of time, I will keep my remarks brief.

FUNDING OF LSO'S

I hope that the Committee will act to prohibit LSO's from receiving any funds from outside the Congress. As noted in my September 21st letter to Committee Chairman Hawkins:

"No justification exists for an LSO to operate with funds received from outside of the Congress. Such activity creates the appearance of and potential for improper conduct, and is inconsistent with rules that govern the conduct of individual members and their staffs. In addition, such activity raises the issue of whether members of Congress really want and need many LSO's, since they are unwilling to pay the necessary costs of running such organizations."

If such a regulation were adopted it would have no impact on the Wednesday Group. All Wednesday Group funds are supplied by its Members through their clerk-hire/official allowances.

DISCLOSURE REQUIREMENTS

Regarding disclosure requirements, I support the proposal that would change the present semiannual reporting requirement to a quarterly reporting requirement. Some additional paperwork may be required, but that is more than offset by gains in accountability. I also support the proposed lowering of the present $1,000 threshold for disclosure of receipts and disbursements. Far too many financial transactions go unreported because they are simply less than $1,000. Disclosure reports should also provide salary data on all LSO staff and consultants, and most importantly these reports should be certified either by the Clerk of the House or the Committee on House Administration.

MEMBERSHIP

Mr. Chairman, it is also my view that membership size should not be a factor in the Committee's deliberations on the prohibition against receiving funds from outside the Congress. The Wednesday Group has a staff and budget that it can support, and it has done so with from 20 to 32 members. Other groups can and should do likewise without going outside of Congress to raise funds.

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INSTITUTES

Regarding the question of research institutes, the Wednesday Group does not maintain any such organizations, nor does it have any association with any such organizations. All Group research is prepared by its staff and outside consultants.

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EXECUTIVE BRANCH FUNDING

I must say, Mr. Chairman, that I was disturbed when I read in the report by the Better Government Association that several LSO's have received grants from executive agencies. Such activity clearly violates the doctrine of separation of powers. It limits the independence of Congress and also gives an unfair legislative advantage to that group of members who receive such funding. My firm belief is that all LSO's should be expressly prohibited from receiving such grants, no matter how legitimate or valuable the research performed. Mr. Chairman, we can not allow the Congress to expose itself so blatantly to the influence of the Executive Branch.

CONCLUSION

In conclusion, Mr. Chairman, I would like to stress that the key consideration before this Committee is the question of LSO's taking money from outside of the Congress. When Congress enacted rules prohibiting members from engaging in such activities, it did so to eliminate the appearance of and potential for improper conduct. It also acted to protect the institution of Congress. I would hope that the Committee's current efforts will be guided by similar considerations and strongly urge that it adopt regulations which will produce these necessary results.

Mr. **Ratchford**. I would like to thank the gentleman. In view of the time, I will simply yield at this point to Mr. Lee, if he has any questions or if he wishes to pass, before forming, then to Mr. Swift.

Mr. Swift.

Mr. **Swift**. A couple of fairly straightforward questions. You indicated you thought the present $1,000 threshold was too high.

Do you have a recommendation as to what the threshold should be?

Mr. **Butler**. Let me turn to my executive director, Mr. Hofman, who is with me. My experience with it is, in the neighborhood of $100 is a reasonable threshold.

Mr. **Ratchford**. Would you identify yourself?

Mr. **Hofman**. I am Steve Hofman, executive director of the Wednesday Group.

Mr. **Ratchford**. Feel free to respond.

Mr. **Hofman**. We think that something under $250 would be an appropriate level, although clearly, we feel the committee could decide.

Mr. **Swift**. On a different approach, Mr. Butler made the point, in fact, the Wednesday Group has survived with as few as 20 members providing for their clerk-hire and so forth.

There are three caucuses that have come before us that claim that they are very small, but represent large constituencies; Black Caucus, Congressional Women's Caucus, and Hispanic Caucus.

Do you see any reason that they should be treated differently because they are small in terms of their membership in this House but seem to have the goal of representing a large constituency that perhaps the Wednesday Club and other similar caucuses don't have that kind of responsibility?

Mr. **Butler**. I see no reason for that distinction. It seems to me the total of your constituency is the sum of the people represented by the individual Members.

That is a direct relationship, of course, to the people you represent. It seems to me it is a question of individual members and the commitment such Members want to make and how useful they find this to themselves.

To go out to have any index other than the individual Member's committment, it seems to me, would be wrong.

Mr. **Swift**. If all of the LSO's had to compete for the clerk-hire as their only source of revenue, do you think some caucuses might be put out of commission and if so, would that bother you?

Mr. **Butler**. I think there might be. I have not analyzed it, but there are some—it would not disturb me a bit. The function is legislative support.

Mr. **Swift**. Your view is, if they can't compete——

Mr. **Butler**. If the Members don't feel like contributing their clerk-hire, then they are not legislative support. They are something else.

Mr. **Swift**. Thank you, Mr. Chairman.

Mr. **Ratchford**. We thank you, Mr. Butler, and we certainly appreciate your comments and those of your executive director.

At this time, we call on Mr. Watkins, chairman, Congressional Rural Caucus.

TESTIMONY OF HON. WES WATKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA, AND CHAIRMAN, CONGRESSIONAL RURAL CAUCUS, ACCOMPANIED BY FRANK TSUTRAS, EXECUTIVE DIRECTOR, CONGRESSIONAL RURAL CAUCUS

Mr. **Watkins**. Thank you, Mr. Chairman, and members of the committee. I would like to introduce the executive director of the Congressional Rural Caucus, Mr. Frank Tsutras, who will be accompanying me at this time.

I respect the time allowance that you have so I will make my introductory remarks very short.

I serve as chairman and this is my second 2-year term as chairman of the Congressional Rural Caucus, a bipartisan caucus of about 150 Members of the House of Representatives and a couple of U.S. Senators.

Basically, the Rural Caucus has been in existence since 1973.

I think probably there is not any greater need of a caucus that exists on the Hill than for the Rural Caucus. There are two reasons why it was formed.

One, the rural people of this country are scattered in all 50 States. They are scattered in the small communities in the countryside and because of their small number and because of the fact they are scattered, their voice has been faint over the years and weak in many respects.

Now, by having a Congressional Rural Caucus, we are able to focus on the needs and problems of rural areas of this country and basically work toward what I call fairness and equity for the rural areas not only agriculture, but also the rural communities and small cities of the Nation.

I would like to elaborate a little bit on any of the questions that you might have focused on. I think we fully discussed each question that you asked in the letter concerning funding for legislative service, organizations.

We feel very much that you can tighten up. I think we should be answerable to the public. On membership, we have approximately 150 members. We do not have outside members.

We have an advisory team. We do not have a research institute. I feel like we are Little Leaguers playing with major leaguers after I heard some of the testimony, but we do not have research insitutions.

We do not have publications. I would like to state one thing we have found that I think is a plus, a very positive aspect—especially our nature of things being rural—we do have occasional interns mainly from the Future Farmers of America organization, the Farm Youth Organization, that come and spend time with the Congressional Rural Caucus and provide a help, a service, but it is a tremendous educational advantage for them to be able to come and have an association with Congress and have an association from a rural organization standpoint with their particular interest and their concerns.

I will be happy to answer any particular questions any of you might have concerning the Rural Caucus or my opinion on anything, if you so desire.

Mr. **Ratchford**. We certainly appreciate your coming here and I know your dedication to the cause.

I attended your banquet the night you heard from the Secretary of Agriculture and the Secretary of Commerce. Do you feel an organization like yours could continue in its current capacity without outside income?

Mr. **Watkins**. Basically, that banquet that you attended was the first time we have had any outside financing coming in. It was a banquet featuring Cabinet members. We have 60 percent of our financing coming from clerk-hire, 25 percent from $200 membership.

We found that was valuable to assist us a little.

Mr. **Ratchford**. What do you think would happen to your organization if our subcommittee, followed by the House Administration Committee and if ultimately by the House itself, voted to prohibit a mix of outside income with clerk-hire?

Mr. **Watkins**. It would probably not affect us at all or too much. We felt like this would be of assistance to us by having a banquet, informative, educational and also allow us to have supplemental money to help operate the caucus, but this is the first year.

We have been in operation since 1973. We feel like there is so much to be done and so little staff and so little effort, we may need to go outside and try to form a rural research institute or something in order to be of assistance.

We have never sought and will never seek Government grants to help run the Rural Caucus or any research pertaining thereto.

Mr. **Ratchford**. Is it your basic testimony, though, that the organization could continue without outside income?

Mr. **Watkins**. Yes; I do.

Mr. **Ratchford**. I have no further questions.

Congressman Lee?

Mr. **Lee**. Thank you, Mr. Chairman. Congressman Watkins, I would like to go to page 2 of your statement that was submitted to the committee answering the core of questions.

I was wondering if you could elaborate under item C membership where the question was posed, if restrictions on outside funding were imposed against the caucuses, what exemptions should be accorded and you indicated, yes, you felt there should be exemptions.

Could you elaborate on what some of those exemptions might be?

Mr. **Watkins**. Basically for outside memberships?

Mr. **Lee**. Yes.

Mr. **Watkins**. We do not have an outside membership at the present time. We have an advisory organization from the outside. We have the assistance of the outside funding only from the banquet.

And there is no charge on the advisory team that we have pulled together. There is no charge, no membership fees. They come to be only in a counseling and advisory capacity.

Mr. **Lee**. I thank the gentleman.

Mr. **Watkins**. Congressman Lee, I would recommend that because it gives you more freedom to operate as a caucus, I don't feel like you have any particular obligations. You can seek counsel and advice but they are not supporting the caucus and any of the efforts.

It gives you a chance to really have a free hand in looking at research or the counsel they give you.

Mr. **Ratchford**. Mr. Swift.

Mr. **Swift**. No questions.

Mr. **Ratchford**. We thank you, Mr. Watkins, and your executive assistant.

[The statement of Hon. Wes Watkins follows:]

STATEMENT OF HON. WES WATKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA, AND CHAIRMAN, CONGRESSIONAL RURAL CAUCUS

Mr. Chairman, thank you for inviting me to testify before the Ad Hoc Subcommittee on Legislative Service Organizations in behalf of the Congressional Rural Caucus, of which I am the Chairman.

Accompanying me is the CRC Director Frank G. Tsutras who has served as the Director since inception of the CRC during 1973 and who has been a professional staff member of the House since 1965.

I am especially pleased to respond to several questions which you included in your letter of invitation, dated September 24.

Rather than take time from other individuals who are scheduled to testify before your subcommittee, we prefer to maintain our continuing dialogue with your Committee to provide input and response to insure the honor, prestige, and integrity of the House and the Congress.

We welcome the opportunity to discuss additional specific details with you and to certainly do that which is necessary to abide by and work within the rules of the House.

Thank you.

A. FUNDING OF LEGISLATIVE SERVICE ORGANIZATIONS

Question 1. Would you support a proposal to prohibit LSO from receiving any outside funds, thereby restricting LSO's to monies derived from clerkhire and member's dues?

Answer. This would depend on the specific language and flexibility of such proposal. Since 1973, we have existed solely on clerkhire funds. During 1981, for the first time, we assessed Members for dues of not less than $200 per session. For the first time, we also had a banquet fund-raiser at $100 per person.

Question 2. If such a regulation were adopted, how would this impact on your organization?

Answer. It would possibly restrict our staff to one professional staff member. Additional staff would be limited according to the actual impact of such rule.

Question 3. What is your view of the proposal to limit outside LSO funding to a specified percentage of an organization's annual income?

Answer. This could be more confusing than effective and possibly subject to misunderstanding and/or abuse. In other words, the more specific . . . the more effective.

Question 4. Currently, what is the approximate percentage of your funding derived from clerkhire/official allowances? Subscriptions to your publications? Members dues? Outside funds?

Answer. The major portion of funding is from clerkhire (60 percent), followed by Members dues (25 percent), and banquet net income (15 percent). This will be more specific during the immediate future. There is no income from subscriptions to publications.

B. DISCLOSURE REQUIREMENTS

Question 1. Should the present semi-annual reporting requirements be replaced by a quarterly reporting requirement?

Answer. Yes. A quarterly report would be more timely and current.

Question 2. Would you support lowering the present $1,000 threshold for disclosure of receipts and disbursements to $500; $100?

Answer. Yes. Reporting should be fully covered.

Question 3. In your opinion, should disclosure reports provide salary data on all LSO staff?

Answer. Yes.

Question 4. Are there any aspects of the present disclosure requirements which you believe should be altered?

Answer. This should be at the discretion of the Committee.

C. MEMBERSHIP

Question 1. If restrictions on outside funding are imposed on LSO, several of the caucuses which, because of a limited membership base, may be negatively affected, are there any exceptions which should be accorded such groups if outside funding is restricted or eliminated?

Answer. Yes. This would be especially important to our organziation.

D. INKIND SERVICES

Question 1. Should LSO be allowed to accept in-kind support (internships, hosted conferences, independent research work) from sources outside of Congress?

Answer. Yes. This should be subject to the discretion of the LSO in accordance with the rules of the House.

Question 2. Has your organization ever accepted such in-kind services in the past?

Answer. Yes. In fact, we have a continuing involvement with the Future Farmers of America Alumni which has been providing the services of one of their outstanding national students, selected by the FFAA and assigned to us on a part-time basis, for 10 weeks at a time. The relationship has been honorable, positive, and in accordance with the rules of the House.

Question 3. If in-kind services are accepted, should regulations require that all such services be so indicated in the disclosure reports?

Answer. Not necessarily. This could be more confusing and unnecessary, resulting in negative response from such sources.

E. INSTITUTES

Question 1. Do you maintain a research institute?

Answer. No.

Question 2. If so, to what degree is there a sharing of staff and facilities between your organization and the affiliated institute?

Answer. None.

F. PUBLICATIONS

Question 1. Do you presently maintain an outside mailing list for your publications? Is a set subscription fee charged for receipt of your publications.

Answer. No. Lack of staff and other factors prevent this. We do have an Advisory Team of Washington-based organizations and individuals for coordination and communication purposes, primarily concerned with small cities and rural areas. There is no subscription fee.

Question 2. What is your view of a regulation which would restrict LSO to recovering only mailing costs from publications sent to non-congressional groups or individuals?

Answer. This is not a critical factor for us. Our major reporting is to our Members and other Congressional contacts.

Question 3. Would it be preferable to allow such LSO to recoup publication as well as mailing costs? What would you consider an appropriate definition of "publication cost"?

Answer. Yes. "Publication cost" should be the total cost of publication, including handling, mailing, postage, etc. to subscribers, either proportionately or totally.

G. MISCELLANEOUS

Question 1. What benefits do you associate with your organization being located on the Hill? If only those organizations which are exclusively funded from congressional sources were permitted to remain in congressional space, how would this impact on your organization?

Answer. This provides ready access for Members to Staff, Staff to Members, as well as appropriate Congressional Committee and Subcommittee contacts, including referral of constituents from our Members to staff. Effective coordination, communication, and control are certainly enhanced by a Hill location, providing a more cost-effective operation.

So far, we have maintained funding from Congressional sources, therefore, we would probably be all right. We prefer to maintain such status and remain on the Hill, ever mindful of our bipartisan responsibilities and adherence to the rules of the House.

Question 2. If regulations were adopted limiting or prohibiting outside income, would your organization be able to comply if the effective date were set as January 1, 1982?

Answer. Yes. For those with funds on hand at the time, it would be advisable to let the LSO expend such funds in an orderly and proper manner, possibly not later than 31 December 1982.

The Committee should also address the question, "Can funds be placed in interest-bearing accounts and under what conditions?" including another related to "mixing" Congressional and non-Congressional funds. This was discussed during a recent Committee-LSO Directors meeting at the Capitol.

Question 3. Should LSO be prohibited from receiving grants from executive departments?

Answer. Not necessarily. If a LSO has a real need for and can justify a request for such grant, the LSO should use discretion seeking such funds because of the LSO status as an entity approved by a Congressional Committee.

The Committee should be specific in this subject to avoid any situation which could be considered unethical or adverse to the House and the Congress as the Legislative Body of the Federal Government.

We do hope these comments will be helpful to the Committee as it considers an appropriate course of action in the operation of Legislative Service Organizations.

Mr. RATCHFORD. At this time, we know earlier Mr. Gaydos was here. He indicated he is not certain he will be back.

We will insert his full statement on behalf of the Congressional Steel Caucus.

Hearing no objection, so ordered.

[The information follows:]

STATEMENT OF HON. JOSEPH M. GAYDOS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, I am grateful for the opportunity to testify today on legislative support organizations . . . commonly called caucuses . . . and on regulations that are proposed for governing them.

I believe I have experience to offer.

I have intimate knowledge of two such organizations—the Congressional Steel Caucus and the Pennsylvania Congressional Delegation Steering Committee. I am Chairman of both.

And I think caucuses have beneficial and important relationship to Congress and the well-being of the nation.

In this I speak primarily from my experience with the Steel Caucus from its inception.

So please take nothing I say as reflecting on any other legislative support organization for good or for bad . . . as praise or as criticism.

And my remarks will touch in greatest detail on the Congressional Steel Caucus—how and why it was organized, how it works and what I think about the proposed changes.

Mr. Chairman and Members, put the year 1977 high in your memory . . . September 1977.

We have a new administration and the economy is in a little trouble. This new administration seems to be grappling to understand how the economy and everything else works.

In my District of Pittsburgh steelworkers are falling off the employment rolls like leaves in the autumn wind.

Imports . . . subsidized imports . . . were rising. There was dumping . . . selling below costs. The only trend was down. And nobody was paying any attention.

Now, Mr. Chairman, 20 percent of the steel made in the United States is made in and around my district.

Consequently, I am sent here to represent a lot of steelworkers: steelworkers who . . . by the way . . . were being harmed by short-sighted, favor-currying government policies that granted unfair advantage.

Virtually the same was true for Mr. Carney and Mr. Benjamin and Mr. Regula and Mr. Buchanan—all from steel districts.

We understood that steel is fundamental to almost everything else that happens in the United States or is made here . . . either in the manufacturing process or the finished product or both . . . and that a healthy, surviving steel industry was important to the country.

So we did a very American thing . . . we organized. The American inclination to organize is the most quoted section of De Tocqueville's Democracy, I believe.

We limited . . . and continue to limit . . . the Caucus to matters of industry-wide and national importance.

We make no special cause. Our only interest is the health of steelworkers and of America's fundamental industry.

We take testimony . . . in fact we have opened hearings on a recent surge in imports and any of you who would like to listen are welcome at our next session . . . and we give testimony.

We collect facts and monitor trends and try to make our membership and other members aware of them. We also try to keep the Executive Branch aware.

And that's about it.

It is a matter of focus.

Before formally organizing we made some policy decisions.

(1)—We decided to take no outside contributions. We still take no outside contributions.

Contributions were offered and refused. It is a matter of independence and credibility.

(2) We decided to publish for public inspection in the Congressional Record a financial disclosure, and we do that on a quarterly basis. Filing was not required when the decision was made.

(3) We consulted the Internal Revenue Service and . . . as a result . . . applied for and received tax exempt status under Section 501(c)(4). Had we not done this our limited budget . . . used for a public purpose . . . would have been taxed.

(4) We decided to limit our activities and set aside the idea of a research institute.

As for formal steps, we asked guidance from the Committee on House Administration in 1977. We also followed that guidance.

We submitted a constitution, by-laws and lists of officers and members.

We decided and told the Committee that directors and staff . . . one director and one staff member . . . would be paid piecemeal from the clerk-hire allowances of Members that we would assess dues to cover operating costs.

All of this we did in accordance with the existing rules of the House Administration Committee.

We also consulted frequently and earnestly with the House Ethics Committee. We virgorously followed their advisory opinions and took the most conservative interpretation of any rule that could have involved a caucus.

Standing as a legislative support organization was granted on Feburary 21, 1978.

This brings me to the point of comment on the proposed regulations as they relate to the Steel Caucus.

I fully support a no-exceptions ban on outside contributions.

70 percent of our budget comes from member clerk-hire or our 140 members . . . who represents 38 states . . . and 30 percent is from yearly dues.

Again, we have no outside income.

We do not sell subscriptions. Our documents and reports are given free to the public on request.

The prohibition is important. No one can successfully charge conflict-of-interest nor reasonably suggest uncaring laxness on the part of Congress with the prohibition.

This would mean the budget of a caucus is public money . . . from each Congressional District being used in the interest of each district.

Therefore, I support better financial disclosure requirements.

Any interested member of the public should be able to find out where those dollars come from and where they go.

The Steel Caucus accepts no in-kind services. If a caucus, any caucus, decides to accept them, the services and the worth should be disclosed, in my opinion.

The Steel Caucus maintains no outside mailing list for its newsletters, import statistics report and the annual caucus report.

If a caucus chooses to maintain an outside mailing list, I do not think it causes any questions of conflicting interest or propriety if they recover only mailing and preparation costs: However, the limits should be defined the income and expenditures reported.

I think a clarification is needed at Section 1 (E) on the prohibition against a separate tax exempt status.

The IRS advised us that taxes were due on any income of any entity for any purpose unless it established tax exempt status under IRS regulation. I would like to reemphasize the use of the word any in that sentence. They meant it.

It may be possible that the IRS would respond in writing to a formal question as to whether caucuses need to have tax exempt status. A number of caucuses have it. A written ruling would certainly clarify the situation.

The proposed rules do not address the contacts with the Executive Branch that the Ethics manual calls "Ex Parte" communications on pending questions.

I think it would be helpful if all the caucuses carefully consulted the Ethics manual on this matter and seek advice from the Ethics committee regarding contacts with the Executive Branch as a matter of general practice.

As to the Pennsylvania Congressional Delegation Steering Committee, it has a similar function on a smaller scale.

There are 25 Pennsylvanians in the House, Mr. Chairman . . . unfortunately, there will be only 23 after the reapportionment election . . . and Pennsylvania is a big state geographically.

The Delegation is spread out physically in Washington and day-to-day contact is often missing. What is a statewide problem in Pittsburgh might not look the same or emerge at the same time in Philadelphia.

So the Steering Committee is a clearing house for all of that and a successful vehicle for a more effective delegation . . . it is a point of focus for one of the largest delegations in the House.

I think the two legislative service organizations that I personally know of are fortunate in their directors . . . men who know the necessity of being above question in public affairs and who conduct themselves accordingly.

Former Congressman Van Zandt oversees the affairs of the Pennsylvania Delegation and Mr. Phil Ola keeps things moving at the Steel Caucus.

If a caucus has merit to its cause and makes its case honestly and without guile, I believe it will be successful in getting a place on the agenda and focusing attention on the problems it wants to solve.

If it is without merit, it will wither and the parade will go on.

I believe caucuses fill a need for members in the performance of their official duties.

I thank the Committee for hearing me, and I commend the Committee and the staff for their efforts to establish comprehensive regulation of legislative service organizations whether they are called caucus, coalition or research groups.

Thank you—I'll be glad to answer any questions.

Mr Ratchford. We have heard from Mr. Butler. Mr. Boland has been called and is on his way. I don't see either Mr. Garcia or Mr. Wilson or Mr. Bethune.

We will stand at ease momentarily. We know other members have been called. The remaining members we intend to hear from this morning are Mr. Garcia, Mr. Boland, Mr. Wilson, and Mr. Bethune at which point we will then recess until early this afternoon.

We have those other members to hear from. We will stand in recess until one of those four members arrives.

We have already entered Mr. Gaydos' statement in the record, but without objection, we are more than pleased to receive comments or a summary of his statement. We know the gentleman will be straightforward in his usual fashion and we are prepared to receive his testimony.

TESTIMONY OF HON. JOSEPH M. GAYDOS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA, AND CHAIRMAN, CONGRESSIONAL STEEL CAUCUS AND PENNSYLVANIA CONGRESSIONAL DELEGATION STEERING COMMITTEE

Mr. Gaydos. I want to thank the Chair and this committee for the opportunity to express my thoughts about legislative service organizations in my capacity as chairman of the Steel Caucus here in the House, and also as chairman of the Pennsylvania delegation.

I have to, at the outset, suggest to my colleagues that we found no difficulty whatsoever in carrying on the activities of the caucus within the current rules or regulations. Every time there was a question of concern to us, we consistently and routinely consulted with the Committee on Standards of Official Conduct. I would like to preface my remarks by stating offhand that what I say hopefully will not be misinterpreted, in support of, or against any of the activities of the other caucuses as they exist. I am just here to try and express to this committee what I saw happen and what I experienced:

One, in September 1977, the Steel Caucus was created to provide a forum in the House for the discussion of steel issues, particulary in international trade issues. The Steel Caucus, if you remember, played a very critical and important role in the passage of the 1979 international trade legislation. Trade has never been the most interesting subject for Members in the House. However, because of the steel crisis of 1977, the flood of steel imports and concern over the threat of unfair trading practices by foreign steel producers, the caucus organized to draw national attention to these critical issues So it was because of that essential nature that the Steel Caucus had its birth during that period.

Members of Congress from steel producing districts found it to be absolutely essential and necessary that we have the right and the opportunity to put an organization together in the form of the Steel Caucus. Now, I know what the committee's concern is: what kind of rules and regulations will you have to govern the operation of these groups?

At this point, I would like to explain a number of early caucus occasions which you might find useful in your consideration of the proposed rules.

First, the executive committee got together and made an early decision, no outside contributions. We concluded—15 of our colleagues on the executive committee—that if we had one outside contribution from any source, then we lost our independence.

Second, we made a decision that any time we had a question, we should go to duly constituted authorities, the Committee on Standards of Official Conduct and the House Administration Committee, for advice and counsel Consequently, even within the framework of the rules and regulations as they existed at that time, we had no difficulty at all in operating the Steel Caucus and maybe it is because we have such a professional—Mr. Ola—who is the director.

Third, with regard to financing the operation of the caucus, we went to the members who were sincerely interested in steel problems. If they really wanted to participate over and above all their other duties, we thought we would have no difficulty gathering their support from clerk-hire, and that is what occurred.

The 15 members on the executive committee all contributed $300 a month in clerk-hire. We hired Mr. Ola and one very excellent staff assistant, Ms. Lambert. We collect dues, $200 a year per member. We operate on an annual budget of roughly $60 to $70,000—a combination of clerk-hire and dues. Office space for the caucus is provided by the House in Annex 2.

With regard to activities, on occasion the caucus testifies before various committees of the House. For example, we gave testimony before the Ways and Means Committee in regard to 10-5-3, tax legislation with which you are all familiar We expressed our views about the impact of various tax proposals on the industry and its workers. We would like to believe that we had some effect on that legislation.

In addition, we went before Mr. Waxman's subcommittee on health and environment. We talked about the stretch-out provisions and their beneficial effect on steel industry modernization.

Another decision that the caucus made in the beginning was to publish for public inspection in the Congressional Record a financial disclosure statement, and we do that on a quarterly basis. Filing was not required when the decision was made.

Furthermore we decided to limit our activities and set aside the idea of a separate research institute.

Let me briefly state that the Pennsylvania Congressional Delegation Steering Committee has similarities with the structure of the Steel Caucus. Members of the Pennsylvania delegation meet to discuss various issues of mutual concern to the State of Pennsylvania and the committee serves as liaison between the Governor, his Washington office and the Members. Adm. Jimmy Van Zandt, a former Member of Congress for 24 years, voluntarily acts as director.

I want to conclude by saying this. I have found these two caucuses to be very effective groups. Therefore, I believe it is essential that this subcommittee and hopefully the full committee and Congress as a body, would provide for the continuation of a caucus concept.

Gentlemen, I am here with the two directors. I know your time is short. We will try to respond to any questions you may have. With that, I conclude by saying thank you for giving me the opportunity to express my views

[The Gaydos statement follows:]

STATEMENT OF HON. JOSEPH M. GAYDOS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

In August 1979 the Committee on House Administration advised that the Pennsylvania Congressional Delegation Steering Committee qualified as a legislative support organization for the purpose of receiving disbursements for dues or assessments as provided in the Regulations for Allowances and Expenses promulgated by the Committee on House Administration.

The Pennsylvania Congressional Delegation Steering Committee provides legislative services to Members in support of their official and representational duties.

The Pennsylvania Congressional Delegation Steering Committee employs one individual who is compensated in whole from the clerk-hire allowance of Members of the Pennsylvania Congressional Delegation.

The Steering Committee is bipartisan and is composed of five senior Members of the Pennsylvania Congressional Delegation who have the authority to speak for the entire Delegation. Former Congressman James E. Van Zandt voluntarily acts as Steering Committee Secretary and also coordinates all Delegation projects.

Each of the twenty-five Members of the Pennsylvania Congressional Delegation contributes $150.00 yearly from his official expense allowance toward the operating expenses of the Steering Committee which includes monthly Pennsylvania Delegation luncheons held for the purpose ofdiscussing legislative matters.

No contributions are received, or ever have been received, by the Steering Committee from noncongressional sources.

One function of the Steering Committee is to handle all details involving breakfasts, luncheons, dinners, and receptions hosted by Pennsylvania constituents for the Pennsylvania Congressional Delegation, as well as meetings with the Delegation arranged at the request of various Pennsylvania groups. So far in 1981, we have had 3 breakfasts, 30 luncheons, 2 dinners, 6 receptions, and 9 meetings.

The Steering Committee acts as a liaison between the Governor of Pennsylvania and his Commonwealth of Pennsylvania office located in Washington, D.C.

The Pennsylvania Congressional Delegation Steering Committee as a legislative service organization has in each instance complied with all rules and regulations established by the House Committee on Administration.

Mr. RATCHFORD. The gentleman has come straight from the shoulder, which is a practice I have known him for and that I respect.

I would observe also that the ranking Democrat on the Appropriations Committee is following him and I know he has to get back to the floor, so I am not going to ask any questions. I yield at this time to Mr. Lee.

Mr. LEE. Thank you, Mr. Chairman.

Congressman Gaydos, would you briefly comment, sir, on two items:

One, should the franking privilege be denied the caucuses;

Second, would you comment on the subscription mechanisms which some of the caucuses use here?

Mr. GAYDOS. We do not use the franking privilege. We concluded that we had enough funds to cover our postage costs. Therefore, in our judgment, there was no need for using the frank. That would be my position. I don't think it is essential.

On the subscription issue, we purposely made a decision as a board not to go into the business of selling subscriptions. We did not have to have it.

Mr. LEE. I thank the gentleman and compliment you on your forthright comments.

Mr. RATCHFORD. Mr. Swift.

Mr. SWIFT. No questions, Mr. Chairman.

Mr. RATCHFORD. We thank the gentleman, and at this time he is excused.

I would indicate for the record that we have a statement from Mr. Garcia. He is not presently here. That will be entered into the record. If he arrives, we will hear from him.

[The information follows:]

STATEMENT OF HON. ROBERT GARCIA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK, AND CHAIRMAN, CONGRESSIONAL HISPANIC CAUCUS

Mr. Chairman and distinguished members of the Committee: I would like to commend the committee on its effort to clarify and carefully define the boundaries of Legislative Support Organizations. The members of the Congressional Hispanic Caucus look forward to working with this committee to resolve this matter in an equitable manner that will allow Legislative Support Organizations to continue their valuable work on Capitol Hill.

Since the Caucus has had limited time to prepare these remarks, I would like to limit my comments to the spirit of the proposed rules and regulations and comment on how they would adversely affect small caucuses who serve a unique role in American politics. I will address the specific questions of the committee in written testimony when all the members of the Congressional Hispanic Caucus have had time to review the testimony for the record.

In December of 1976, the Congressional Hispanic Caucus was formed as a response to a national Hispanic community that needed a voice at the federal level of government. We are dedicated to reversing a pattern of neglect and indifference that the Hispanic community has suffered for decades in this country. The Congressional Hispanic Caucus is a bipartisan caucus composed of six members representing the states of California, Texas, New York, Nex Mexico, and the Commonwealth of Puerto Rico. We are not a large caucus, nor do we have a large staff or massive amounts of resources. The Congressional Hispanic Caucus has tried during the past four years to create an organization that can help the Hispanic members of Congress respond to the needs within the national Hispanic community.

I think that it is important for this committee to understand that representatives in Congress who are Black, Hispanic or Women, have in addition to their own constituency, a national constituency, which looks to them for leadership and help at the federal level of government. We provide through these caucuses an access to Congress that would not exist without these organizations.

The CHC welcomes the opportunity to provide full disclosure of all receipts and expenditures and would welcome a clear set of guidelines to follow from this committee.

The CHC would not support a proposal to prohibit LSO's from receiving outside funds. The commitment to the Caucus in clerk-hire funds on an annual basis has reached a level of $48,400. Those of you on this committee know how limited our clerk-hire funds are, and I think this kind of a commitment on behalf of six members of a very small caucus speaks for itself. Currently we receive approximately 80 percent of our monies from outside sources. Twenty percent of our funding comes from clerk-hire payments made by the members of the Congressional Hispanic Caucus. The Caucus has survived and done well largely due to the efforts of a national Hispanic constituency that supports the work of the caucus.

In closing, I would like to ask this committee to seriously consider delaying the installation of new regulations until the beginning of the 98th Session of Congress. Three months to restructure an on-going organization is simply not an equitable time frame in which to conduct business.

Again, I thank the members of the committee for reviewing this most important topic, and we will work closely with the committee to ensure a more efficient and equitable method for the operation of Legislative Support Organizations in Congress.

Mr. **Ratchford**. At this point, we therefore would call Mr. Boland on behalf of the New England Congressional Caucus.

TESTIMONY OF HON. EDWARD P. BOLAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS, AND CO-CHAIRMAN, NEW ENGLAND CONGRESSONAL CAUCUS

Mr. **Boland**. Thank you, Mr. Chairman, Mr. Lee, and Mr. Swift.

You have copies of my testimony. You also have the responses to your questions, so I will make my presentation as brief as possible.

First, I want to congratulate this Subcommittee on Legislative Service Organizations. I think perhaps you are providing one of the best services the Congress has received over the past few years.

The New England Congressional Caucus is composed of 25 members in the 6 States of New England and was formed back in 1973. We have been operating on the basis of contributions, outside contributions, to help us defray some of our expenses, and in addition to that, the clerk-hire, which probably is the most significant contribution that is made to our organization.

I want to join with all of those who are congratulating the subcommittee for suggesting many long-overdue changes. We are a relatively small caucus, but in my judgment, we have tried to insure that this caucus be held to very high self-imposed standards. I think over the years we have done that. With the founding of additional caucuses that have proliferated over the last few years I think the lack of very clear and explicit regulations in the LSO area has created a potential for abuse. That is precisely what this subcommittee is looking at, and what the House Administration Committee is looking at, and I commend Chairman Gus Hawkins and the members of this subcommittee for their leadership in this area.

Attached to our testimony are responses to the questions included in the letter of September 24 from Chairman Ratchford and I think you will find that the responses are full and fair.

I think with respect to outside contributions, an issue that has been raised by the subcommittee and by other spokesmen for caucuses that have appeared before the subcommittee, we suggest that you do not elimiminate contributions from outside sources. We raise some $20 or $30,000 from outside services spread over 400 contributors.

We think the participation of those people and organizations in what we do in the caucus is tremendously helpful, not only to the caucus itself, but to the area. We are able to spread among some 400 people who are willing to contribute—the average is around $100, some contributions run less than that—the knowledge of our caucus. They then become interested in it and they become helpful to us and very supportive of us.

So our recommendation is that you do not eliminate outside sources, outside contributions, but that you restrict contributions to a relatively small amount. We would think perhaps $100 should be the ceiling.

I do not have to tell the chairman of this subcommittee that New England has benefited tremendously from what we have done as a caucus, as a bipartisan committee for New England. We participated in about every area that affects New England. We are in the

Northeast section of the United States where we have tremendous energy problems and transportation problems. We have addressed those problems because of the efforts of the members themselves and from the staff of the caucus.

We provided ourselves with a staff that is a dedicated and that has the kind of spirit that gives us a fine reputation in our own area. We enjoy a fine reputation within the business community and among individuals who are involved in the many issues that impact upon the New England States, some of which impact more on New England than on the regions of the United States.

We do depend tremendously, of course, upon clerk-hire. Practically all the 25 members of our delegation contribute to sustaining the clerk-hire cost for our caucus and we do have interns that come in and work with us. Once in a while we do have individuals from some businesses that are assigned to work on a particular issue for us for a relatively short period of time. The input that the interns and individuals from businesses give to the caucus, of course is immeasurable. It is helpful to us and we would suggest that it be allowed to continue.

We don't use the franking privilege except for mail sent to members of the caucus itself. All other mailing is paid for out of contributions that we receive and whatever assistance we may get from members.

We do have publications and reports that are sold for nominal fees ranging from $1 to $5. That fee is charged to those to whom the publications are sent in order to cover just the printing and mailing costs. Sometimes it does not meet that particular expense.

We are assisted by an institute. The institute is a nonprofit, fully incorporated organization that assists us in particular areas. We have never received direct grants from the Federal Government in any of the efforts in which we have participated except for grants received by the New England Congressional Institute. One of the large grants we had in the area of energy was made by the Department of Energy to the New England Congressional Institute. It helped us to develop an energy program for the area that resulted in suggestions on energy in New England that have been helpful to us, and has, in my judgment, resulted in considerable energy conservation in the region.

So, Mr. Chairman, let me close by saying that we understand the problems that this subcommittee has. We also understand the direction in which it is traveling, and we congratulate this subcommittee and the full Committee on House Administration for getting a look at this. We do not think it is too late for this oversight. I think perhaps it comes at just about the right time. So, Mr. Chairman, with that, I will leave with you—I ask unanimous consent that my full statement be included in the record.

Mr. RATCHFORD. So ordered.

Mr. BOLAND. Also, that the responses to the individual questions propounded to us by the chairman of this subcommittee be included with my statement.

Thank you, Mr. Chairman, very much.

[The statement of Representative Boland follows:]

STATEMENT OF HON. EDWARD P. BOLAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS AND COCHAIRMAN OF THE NEW ENGLAND CONGRESSIONAL CAUCUS

Mr. Chairman, on behalf of the 25 Member, bipartisan, six-State New England Congressional Caucus, of which I have proudly served as Cochairman since 1975, I want to thank you, your fellow members of the Ad hoc Subcommittee on Legislative Service Organizations, and the House Administration Committee for its work on developing new rules to guide the activities of LSO's.

The New England Congressional Caucus congratulates the subcommittee for suggesting many long overdue changes. Since the founding of the New England Caucus in 1973, we have always worked to insure that the caucus hold to high self-imposed standards. However, with the founding of many additional caucuses and legislative coalitions in recent years, the lack of clear and explicit regulations in the LSO area has created a potential for abuse. For this reason, we believe that strengthened regulations are in the best interests of all organizations such as our own which have sought to maintain the highest of standards.

Attached to this testimony are our responses to the questions included in the letter of September 24, from Chairman Ratchford of the Ad hoc Subcommittee on LSO's. In my comments this morning, I would like to briefly touch on the most important points raised in these responses.

The Subcommittee's questions are excellent ones and reflect a genuine desire to develop comprehensive, firm and equitable rules for LSO's. As indicated in our responses, the New England caucus fully supports many of the proposals which are designed to regulate the raising of outside funds and to ensure full disclosure of all LSO financial and substantive activities. In a number of cases, fundraising and disclosure proposals referred to in the questions were originally proposed by the New England caucus in our letter of September 16 to Chairman Hawkins of the House Administration Committee.

The issue of outside fundraising is a central one before this subcommittee and the New England caucus recognizes that new rules are unquestionably needed and defined limits must be established. Yet the New England caucus is concerned with the proposal to entirely prohibit outside fundraising.

Over its eight years of operation, the New England caucus has built an impressive record of participation of its 25 members. During the 96th Congress, 24 of the 25 members of the caucus contributed clerkhire to support caucus staff, with twenty members contributing at least $2,000.

This level of participation clearly indicates the commitment of New England members to the caucus. Nevertheless, due to the small size of the caucus, each individual member is already being asked to make a sizeable annual contribution. The additional burden of asking for dues or contributions from official allowances would be a significant hardship for many caucus members.

While the high level of commitment of New England members to the caucus would hopefully enable the organization to survive if all outside funds are prohibited, the officers and executive committee of the New England caucus recommend as an alternative that new, tightly drawn rules be adopted to regulate outside fundraising by LSO's. As indicated in the letter of September 16 sent by the caucus to Chairman Hawkins, the executive committee of the caucus recommends that a contribution limit of $100 per person or organization per year be put on outside fundraising and that a ceiling be placed on the total amount of outside funds that can be raised. This ceiling could be a dollar figure, i.e. $20,000 per year, or a percentage of total operation expenses. The $100 limit per person or organization per year would be similar to the house rule limiting gifts to individual Members of Congress.

Tightly controlled and fully disclosed outside fundraising would enable smaller caucuses like the New England caucus to continue to effectively serve the Congress and the New England region. These restrictions, combined with new rules ensuring full, complete and more frequent disclosure of all LSO activities, limitations on charges for publications, and other rules proposed by the subcommittee and endorsed by the New England caucus, will, we believe, enable LSO's to continue to serve the Congress while ensuring the highest standards of conduct.

In closing, Mr. Chairman, I would like to briefly share with the subcommittee a few thoughts regarding the very important contribution that the New England caucus provides to New England members and to our region. First, one of the most important roles served by the caucus is to provide relevant, credible, objective and timely information and analysis to the delegation. The New England region, as with all regions, faces serious problems and has unique opportunities and assets. New England members have benefitted greatly from the caucus' expertise in energy, transportation, the environment, economic development and numerous other issues. Second, the caucus has been a major force in promoting bipartisanship. The caucus has focused on issues which tend to pull members together, thereby encouraging cooperation among members of opposing parties or political views and leading the way to balanced and workable solutions to regional and national problems. Third, a major contribution of the New England caucus has resulted from its ability to work on long range problems. With the day-to-day pressures on members of Congress, it is often difficult to focus on issues which may not emerge visibly until a crisis strikes. In its work on energy, transportation, higher education, skilled manpower and other issues, the New England caucus often provides an invaluable early warning system for potential major problems which may soon affect the region and the Nation.

In conclusion, Mr. Chairman, and on behalf of the 25 members of the New England congressional caucus, I want to reaffirm our thanks for your efforts and those of your subcommittee colleagues. We have been proudly associated with the New England caucus since its inception in 1973, and with the guidance of your subcommittee and the full House Administration Committee, we look forward to a continuing and productive association over the years ahead.

(Attachment follows:)

RESPONSE OF THE NEW ENGLAND CONGRESSIONAL CAUCUS TO QUESTIONS ON THE STATUS OF LEGISLATIVE SERVICE ORGANIZATIONS

1. Would you support a proposal to prohibit legislative service organizations from receiving any outside funds?

Over its eight years of operation the New England Congressional Caucus has built an impressive record of participation of its twenty-five Members. During the 96th Congress, 24 out of the 25 Members of the Caucus contributed clerk-hire to support the Caucus staff, with twenty Members contributing at least $2000.

This level of participation clearly indicates the commitment of New England Members to the Caucus. Nevertheless, due to the small size of the New England Caucus, each individual Member is already being asked to make a sizeable annual contribution. The additional burden of dues or contributions from official allowances would be a significant hardship for many Members.

While the level of commitment of New England Members to the Caucus would hopefully enable the organization to survive even if all outside funds were prohibited, the Officers and Executive Committee of the New England Caucus recommend as an alternative that new, tightly drawn rules should be adopted to regulate outside fundraising by LSO's. As indicated in the letter of September 16 sent by Caucus Co-Chairmen Edward P. Boland and Silvio O. Conte to Chairman Hawkins, the Executive Committee of the Caucus recommends that a contribution limit of $100 per person or organization per year be put on outside fundraising and that a ceiling be placed on the total amount of outside funds that can be raised. This ceiling could be a dollar figure, i.e. $20,000 per year, or a percentage of total operating expenses. The $100 limit per person or organization per year would be similar to the House rule for individual Members.

The New England Congressional Caucus congratulates this Subcommittee for suggesting many long overdue changes. Since the founding of the New England Caucus in 1973, we have always worked to insure that the Caucus hold to very high self-imposed standards. However, with the founding of many additional Caucuses and legislative coalitions in recent years, the lack of clear and explicit regulations in the LSO area has created the potential for abuse. For this reason, we believe that strengthened regulations are in the best interests of organizations such as our own which have always maintained high standards in our operations.

2. If such a regulation (a ban on outside fundraising) were adopted, how would this impact on your organization?

As a small Caucus of 25 Members, a complete ban on outside fundraising would make the operation of the Caucus significantly more difficult. While the high level of commitment of Members of the Caucus would hopefully enable the organization to continue for the time being, the longer term prospects are unclear. In informal discussions with several of the Members of the Caucus, it is clear that only very limited leeway exists in the official allowances of many Members. For the New England Caucus to request contributions from these allowances would cause even further tightening.

3. What is your view of the proposal to limit the outside funding of LSO's to a specific percentage of an organization's annual income?

A percentage limitation or a dollar ceiling as suggested by the Executive Committee of the Caucus would be fully acceptable. If a percentage limitation is considered, a figure of approximately one-third is suggested. If a dollar limitation is considered, the Caucus recommends a figure of $20,000 per year.

4. Currently, what is the approximate percentage of your funding derived from: clerk-hire/official allowances? Subscriptions to your publications? Members' dues? Outside funds?

The New England Congressional Caucus derives its funding from the following sources:

Funding cycle—October 1, 1979 to September 30, 1981

	Percent
Clerk hire	62
Official allowances	0
Subscriptions/publications	4
Members dues	0
Outside fundraising	34

DISCLOSURE REQUIREMENTS

1. Should the present semiannual reporting requirement be replaced by a quarterly reporting requirement?

Yes.

2. Would you support lowering the present $1,000 threshold for disclosure of receipts and disbursements to $500? $100?

The New England Caucus supports lowering the threshold for disclosure of receipts and disbursements to $100.

3. In your opinion, should disclosure reports provide salary data on all LSO staff?

Yes.

4. Are there any aspects of the present disclosure requirement which you believe should be altered?

In addition to those discussed above, the overall goal should be to tighten existing requirements to ensure full disclosure.

MEMBERSHIP

1. If restrictions on outside funding are imposed on the legislative service organizations, several of the Caucuses which, because of a limited membership base, may be negatively affected. Are there any exceptions which should be accorded to such groups if outside funding is restricted or eliminated?

As discussed above, due to the small size of the New England Caucus (twenty-five Members), the elimination of outside funding would make the operation of the New England Caucus significantly more difficult. While the New England Members have shown a very high level of commitment to the Caucus, they are already being asked to contribute $1,800 in clerk-hire per year. Additional requests for dues or office allowances would be a real hardship for many Members.

In terms of restrictions on outside funding, the Caucus recommends adoption of rules restricting contributions to $100 per person or organization per year, and placing a ceiling on total outside funding. This ceiling, especially if set as a percentage of total operating costs, would enable Caucuses, including small ones, to raise sufficient funds to cover office expenses. The New England Caucus supports this proposed restriction. In terms of the New England Caucus, this restriction would eliminate the need for exceptions.

INKIND SERVICES

1. Should legislative service organizations be allowed to accept inkind support (internships, hosted conferences, independent research work) from sources outside the Congress?

Acceptance of internships, hosted conferences and independent research work should be allowed providing there is full disclosure of the source of the service. The Caucus recommends that copies of all printed material circulated among Members be provided to the House Administration Committee and be available to the public. Acceptance of hosted conferences should also be fully disclosed to the Committee.

2. Has your organization ever accepted such inkind services in the past?

Yes, the New England Caucus runs an active intern program involving students from a wide number of regional and D.C. area colleges and universitites. Several years ago the Caucus also had a Congressional Fellow for one year funded by the AVCO Corporation. In addition, the Caucus has co-sponsored conferences and meetings in New England and in Washington with other organizations. Examples include the New England Energy Congress with Tufts University, State Energy Advisors and Congressional Staff meetings with the New England Regional Commission (the six New England Governors) and a conference on regional export trade issues with the New England Congressional Institute. Finally, the Caucus does circulate research and analyses from outside groups, most frequently that of the New England Congressional Institute. All outside research circulated to Members of Congress is clearly identified as such, with the organization and author identified. The Caucus recommends that this identification procedure be formalized into a rule by the House Administration Committee and that copies of all materials be collected by the Committee and made available to the public.

3. If inkind services are accepted, should regulations require that all such services be so indicated in the disclosure report?

Yes.

INSTITUTES

1. Do you maintain a research institute?

The New England Caucus is affiliated with and works closely with the New England Congressional Institute. The Caucus does not maintain or control the Institute. The Institute receives no Congressional support and does not occupy House office space. The Institute is a separately incorporated, independent, nonprofit organization with its own Board of Directors and advised by a distinguished 35 member Board of Advisors. The research and policy analysis of the Institute provides a valuable resource to the Caucus and numerous other national, regional, state and local organizations.

2. If so, to what degree is there a sharing of staff and facilities between your organization and the affiliated institute?

The Caucus and the New England Congressional Institute both occupy office space in the same commercial office building. Both organizations share the cost of a Xerox machine. One employee is shared by the two organizations, with the Caucus share paid by money raised through fundraising. All cost sharing is carefully accounted for and all leases, supplies and other expenses are kept separately.

PUBLICATIONS

1. Do you presently maintain an outside mailing list for your publications?

Yes. Caucus publications are available to the public. The Caucus newsletter is circulated to a list of several thousand individuals and organizations. Caucus memoranda are regularly circulated to Members of the Caucus, several Senate offices and a small group of regional press.

2. Is a set subscriptions fee charged for receipt of your publications?

Members of the Caucus receive all Caucus publications in return for their support. Several Senate offices subscribe at the rate of $150 per year. The Caucus newsletter charges a public subecription rate of $50 per Congress, although a substantial number of newsletters are circulated free of charge. Individual Caucus reports are sold for nominal fees ranging from $1 to $5. This fee is to recover the direct costs of printing and mailing.

3. What is your view of a regulation which would restrict LSO's to recovering only mailing costs from publications sent to non-congressional groups or individuals?

To restrict LSO's to recovering mailing costs would force Caucuses to lose money every time they circulated materials to the public. The Caucus recommends that charges for publications be limited to recovering the "direct costs" of production, i.e. printing, mailing, envelopes, etc. Documentation of these direct costs should be required if this recommendation is adopted.

4. Would it be preferable to allow such LSO's to recoup publication as well as mailing costs?

Yes.

5. What would you consider to be an appropriate definition of "publication" costs?

As stated above, the Caucus recommends that charges for publications be limited to recovering the "direct costs" of production, i.e. printing, mailing, envelopes, etc. Documentation should also be required.

MISCELLANEOUS

1. What benefits do you associate with your organization being located on the Hill? If only those organizations which are exclusively funded from congressional sources were permitted to remain in congressional office space, how would this impact on your group?

Since the New England Congressional Caucus has occupied commercial office space off the Hill since its creation in 1973, a rule restricting congressional office space to organizations exclusively funded from congressional sources would not affect the New England Caucus.

2. If regulations were adopted limiting or prohibiting outside income, would your organization be able to comply if the effective date were set as January 1, 1982?

Yes.

3. Should LSO's be prohibited from receiving grants from executive departments?

Yes, since LSO's are arms of the Congress and derive support from Congressional sources, they should be prohibited from receiving grants from executive departments.

It is important to distinguish between LSO's and independent, fully incorporated and separately organized non-profit research institutes located in private office space. Institutes of this type are fully regulated by the Internal Revenue Code of 1954 and the laws of the District of Columbia.

If affiliation relationships exist between LSO's and outside organizations, it is appropriate that the rules which require disclosure of the finances, substantive activities and publications of LSO's also require full disclosure of the nature and content of affiliations with outside organizations.

Mr. Ratchford. Just a few brief questions.

First of all, I applaud the gentleman for the detail of his statement. Second, I would indicate for the record I am a member of this caucus, that I co-chair the Transportation Subcommittee, and would observe for the record that its contribution in our part of the country has been notable. I would especially remark on the report done on energy alternatives which became a basis for action here and in New England. I would observe also that in my own district we held an energy fair last Saturday where some of your recommendations became part of our blueprint.

I will pause at this point and raise with you the question we raised with every witness: If a group takes outside income, is there a difference between a group that takes $20,000 or a group that takes $1? That is the dilemma that we face. You heard the hard act, as you referred to it, of Mr. Gaydos say that he did not see any difference between $1, $20,000, whatever the figure was. Would you comment on that? I know through your staff you are recommending a ceiling on outside contribution.

Mr. Boland. I do not think we have ever received much over—$400, $500 might be the largest contribution received by us from any particular organization or individual, I think probably from a business. I can see the danger of contributions which are much larger than that, or even $500, but you cannot buy a caucus for $100 or less. No one can buy any caucus for that amount, but when you start to get up into areas where you are getting $1,000, $2,000, or more, then I think there is a danger of too much influence being exerted by those contributors upon the caucus itself. The danger is that the caucus would continue to look to these individuals for support, and actually the support would come from a relatively few members of the business community. With a ceiling of $100, support is spread over such a great number of people that no one can actually say that particular caucus is in our back pocket. I think that is one of the things we have to be careful about.

Mr. Ratchford. Do you or perhaps more appropriate to the staff director see any conflict in this as it relates to the standards of official conduct for individual Members?

Mr. Boland. No. No.

Mr. Ratchford. You do not feel there is any conflict?

Mr. **Boland**. None whatsoever.

Mr. **Ratchford**. If there are changes, and most who testified this morning testified that they felt there should be change, do you feel there should be leadtime? If so, for the record, what leadtime do you suggest?

Mr. **Boland**. Say that again, Bill?

Mr. **Ratchford**. I cannot predict what this subcommittee or House Administration will do. If in fact they do recommend changes which move away from the current system, when should those changes be effective? Should there be leadtime before they go into effect? If so, how long should that time period be?

Mr. **Boland**. I really cannot tell you what the timeframe ought to be. I think we would leave that to the judgment of this committee. You are receiving a lot of testimony from a number of caucuses here. It is going to take some time to pull that information together. I do not know whether or not between now and the start of the second session of the 97th, you will have time enough to do it. It occurs to me it probably is not because of the heavy schedule legislatively that we have between now and whenever we adjourn, John Rhodes was telling me just today that it looks like the adjournment will come sometime in early December.

Mr. **Ratchford**. Did he say what year? [Laughter.]

Mr. **Boland**. If your decision is going to impact upon the adjournment date, why do you not wait until after the first of the year? That probably would be a better way to handle it.

Incidentally, one of our people from the caucus indicated to me that the largest contribution we ever had was $3,000. I forget what year it was. We have only had three co-chairmen. When this caucus was created back in 1973, Speaker O'Neill and Mr. Conte were the co-chairmen. The Speaker gave it up when he became Speaker, and then I took his place. Mr. Conte and I have been the co-chairmen since that time. Let me say we have been extremely fortunate in the staff that we have had at that caucus. We have been delighted with their dedication and their spirit. We are losing our executive director, as a matter of fact, he is going into one of the businesses up in New England.

We have lost him already, but I must say that he is being replaced by his assistant, and we are delighted with that.

Mr. **Ratchford**. Mr. Lee, Mr. Swift, any questions?

Mr. **Lee**. Thank you, Mr. Chairman.

Congressman Boland, if the committee recommends to allow outside funding to be continued, and a caucus or an institute of a given caucus pursues a grant from a Federal agency, should that pursuit be governed by a negotiated process, which seems to be the current practice, or should it be placed upon the bidding process?

Mr. **Boland**. I have some difficulty with grants to a caucus itself. I think we responded to one of the questions that the chairman propounded with respect to Federal grants. We object and would oppose Federal grants being made to caucuses per se. If there are some nonprofit incorporated institutes that assist in this area, I think that is a different matter, but I do think that those particular grants, even to those institutes, ought to be very carefully monitored. There ought to be a very strict disclosure on what the grant is who gets it, and what the payments are made for.

Mr. LEE. Thank you.

I yield back, Mr. Chairman.

Mr. RATCHFORD. Mr. Swift.

Mr. SWIFT. One quick question. There is great sentiment on the full committee for simply permitting no outside income at all. About a third of your budget comes from that. Can your caucus survive without that? Would it be able to shift some functions to the institute?

Mr. BOLAND. I think we would have difficulty in surviving without it. As you have indicated, I think a third, about 34 percent of our expenses come from outside sources, and the rest, 60-some-odd percent, I think, from the clerk-hire which, of course, is the big contribution that Members make. It is an imposition, an impact, as the gentleman knows upon the Members themselves.

The question is whether or not the membership could actually handle a greater contribution on their part as individuals in the clerk-hire area. It is the judgment of the 25 members of the New England Caucus that they could not do that. They participate rather heavily now. I think the average contribution runs to around $2,000.

Mr. SWIFT. Are there functions that are currently done by your caucus that might be done by the institute that you indicate you are associated with, and permit the institute to raise the outside income? In other words, that one-third would then come into the institute, and you would reduce your workload in some fashion, transfer it over so that you could survive on two-thirds of your——

Mr. BOLAND. That is a real possibility.

Mr. SWIFT. Thank you very much, Mr. Chairman.

Mr. BOLAND. Mr. Chairman, Mr. Lee, Mr. Swift, thank you very much for tolerating my presence here today. Thank you.

Mr. RATCHFORD. We thank the gentleman. We would note for the record also that Mr. Wilson will not be able to be here on behalf of the Sunbelt Council. His statement, when submitted—and the deadline is October 6—will become part of the record.

[The information follows:]

STATEMENT OF HON. CHARLES WILSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS, AND CHAIRMAN, SUNBELT COUNCIL

Mr. Chairman and Members of the Subcommittee, I would applaud the efforts of this ad hoc subcommittee to eliminate some of the confusion that presently surrounds the legislative service organizations.

Obviously, these support groups can provide a valuable service to Members in terms of research and the distillation of ideas; however, we should take reasonable steps to see that LSOs are not abused or used to circumvent the existing rules that apply to individual Members.

The Sunbelt Council has existed only since last April. At the present time, one hundred percent of our funding comes from our Member's clerk-hire and official expense account funds. The amount we contribute is strictly voluntary, and I think the Council staff, headed by our former colleague John Buchanan, has done a remarkable job establishing a viable support organization on that budget and in a very short time.

The Sunbelt Council itself has not operated on outside funds, and we have no intention of doing so in the future. In that regard, we have no problem with the proposed regulation restricting LSO support to Members' allowances or the House itself in terms of office space, etc.

However, we must draw a bold line to distinguish the legislative support organization itself from any affiliated research arm we may wish to create.

The Sunbelt Council has not been around long enough to establish a research institute, but we certainly hope to one day see a credible and well-respected outside research arm that would provide valuable data not only to our congressional Members but to others interested in our region as well.

As long as the two entitles—the LSO and the research arm—are kept separate, the House Administration Committee's rules should leave room for the kind of research organization others have had and we are trying to establish.

Funding would not be commingled, and certainly the research arm should not rely on House support whether it be in terms of free office space and furniture or Members' allowances.

The research institute should be an independent entity, completely self-supporting and located outside government office space. Under those circumstances, a research institute will serve a legitimate function.

There will, of course, be ties between the LSO and the outside institute. For instance, the director of the Sunbelt Council must travel to regional meetings such as the Southern Governors Association or the Southern Growth Policies Board. In the absence of a base appropriation for this purpose from the House, the institute should provide these travel funds. In fact, I would assume that the institute could provide expenses for any employee of the Sunbelt Council providing a service. This would not be in violation of the rules of the House.

In terms of disclosure requirements, the present rules are adequate. Disclosure reports probably should include salary data for LSO staff, but it is not necessary to either lower the $1,000 threshold or require quarterly reports.

Again, because we are the "new kid on the block," so to speak, many of the questions that have been raised are not applicable to us.

But I would like to speak specifically to the question of receiving grants from executive departments. Clearly, that practice encroaches on the separation of powers that keep the legislative and executive branches independent of each other. I do not think legislative support organizations should, however legitimate the cause, submit to even minimal influence from the executive branch.

Legislative support groups are, in our opinion, necessary, and clear regulations are certainly desirable. I am confident these hearings will result in rules of organization that will lend continued legitimacy to a valid legislative tool.

Mr. RATCHFORD. We now note the presence of Mr. Garcia, and would he come forward on behalf of the Hispanic Caucus. We note also Mr. Bethune is here. We will call him next.

TESTIMONY OF HON. ROBERT GARCIA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK, AND CHAIRMAN, CONGRESSIONAL HISPANIC CAUCUS, ACCOMPANIED BY SUSAN HERRERA, EXECUTIVE DIRECTOR, CONGRESSIONAL HISPANIC CAUCUS

Mr. GARCIA. Thank you, Mr. Chairman.

I would like to introduce on my left the executive director of the Congressional Hispanic Caucus, Ms. Susan Herrera, who has been the executive director of the caucus for 1½ years. I would like to read briefly my statement, and then I will be delighted to respond to questions from the committee.

First of all, I think it is extremely important and I want to commend the committee, because I think the question of caucuses and the definition of legislative prerogatives and legislative support, I believe, are something that is long overdue; and as a caucus, we are prepared and we will make any record available to this committee for their study.

In December 1976, the Congressional Hispanic Caucus was formed as a response to a national Hispanic community that needed a voice at the Federal level of government. We are dedicated to reversing a pattern of neglect and indifference that the Hispanic community has suffered for decades in this country. The Congressional Hispanic Caucus is a bipartisan caucus composed of six members representing the States of California, Texas, New York, New Mexico, and the Commonwealth of Puerto Rico. We are not a large caucus, nor do we have a large staff or massive amounts of resources. The Congressional Hispanic Caucus has tried during the past 4 years to create an organization that can help the Hispanic Members of Congress respond to the needs within the national Hispanic community.

I think that it is important for this committee to understand that Representatives in Congress who are black, Hispanic, or women, have, in addition to their own constituency, a national constituency which looks to them for leadership and help at the Federal level of government. We provide through these caucuses an access to Congress that would not exist without these organizations.

The CHC welcomes the opportunity to provide full disclosure of all receipts and expenditures and would welcome a clear set of guidelines to follow from this committee.

The CHC would not support a proposal to prohibit LSO's from receiving outside funds. The commitment to the caucus in clerk-hire funds on an annual basis has reached a level of $48,400. Those of you on this committee know how limited our clerk-hire funds are, and I think this kind of a commitment on behalf of six members of a very small caucus speaks for itself. Currently, we receive approximately 80 percent of our moneys from outside sources. Twenty percent of our funding comes from clerk-hire payments made by the members of the Congressional Hispanic Caucus. The caucus has survived and done well largely due to the efforts of a national Hispanic constituency that supports the work of the caucus.

In closing, I would like to ask this committee to seriously consider delaying the installation of new regulations until the beginning of the 98th session of Congress. Three months to restructure an ongoing organization is simply not an equitable timeframe in which to conduct business.

Again, I thank the members of the committee for reviewing this most important topic, and we will work closely with the committee to insure a more efficient and equitable method for the operation of legislative support organizations in Congress.

Mr. Ratchford. We certainly thank the gentleman for his statement and the detail he has provided to the committee. We would observe that as far as receipts are concerned, that your organization, although small in number, has been successful in its fundraising efforts. In fact our records would indicate that in a period of time of roughly a year, you have raised about $229,000, $230,000. Does the gentleman feel given this successful record that the caucus for its success still needs clerk-hire as part of that element?

Mr. Garcia. Yes, we do. If I may go a step further than that, the answer to your question is yes, we still feel we need the clerk-hire. Let me say to you, Mr. Chairman, that the caucus, both sides of the aisle within our caucus, that is Republicans and Democrats, we have been searching and looking to purchase a building off and away from the Hill, but needless to say, with those moneys that you have just put forth, we have looked at three or four different sites, and the cost of buying within the Capitol Hill area has been quite expensive, but we have not given up the hope of finding a site for the Congressional Hispanic Caucus off the Hill, and I think that that is important, because the efforts are being made by us to do that. We would like very much to find a place that is suitable, not only for the Congressional Hispanic Caucus but for other Hispanic organizations that may look to share and join with us.

Mr. **Ratchford**. There is no question but what the caucus has made a valuable contribution. The issue that we face, and we faced when we opened this morning and we will continue to face when the hearing is over, is whether there can be any mix of clerk-hire with outside funds, is that a system we ought to encourage as far as continuation. No. 2, whether that system, if it is continued, is in conflict with the individual rules relating to ethics of individual members. That is the dilemma we face.

Mr. **Garcia**. There is no question there is a gray area. I am not going to quarrel with that. I think that is why I opened up my statement saying what I said, that I think it is important clarification be set forth. However, the problem that I have as the Chair, and only the second person in the history of the caucus, the problem that I have and I face is that we, as was put forth by you and the members of your committee, with the deadline in January, with the termination date in January, I really believe it would be unrealistic for us to meet that deadline.

In terms of the clerk-hire, we have never felt ourselves personally—and you and I are both in the same group, I guess—we have limited numbers of dollars. For us to sacrifice those dollars that we have, so that we can keep the Congressional Hispanic Caucus going in terms of staff, and to make sure that it functions has been a sacrifice, we do it because we feel that it is important to the Hispanic community. We only have 6 Members of Congress, only 5 with a vote; yet we have a population in this country of over 20 million Hispanics, and it is growing every day. The questions of immigration, bilingual education, all of these are major, major issues within our community. The only forum that most Hispanics have is the activities and work of our caucus.

So that I would say that at the present time I feel that our responsibility is such that both the clerk-hire and the fundraising aspects have been important, because we pay all the funds, all our bills are paid with the moneys that we raise through the fundraising efforts that we have.

Mr. **Ratchford**. I do not think you heard the statement, but just before you came in Mr. Gaydos said if an organization accepts $1 of outside income, that there is a problem. Do you care to comment on that?

Mr. **Garcia**. Well, you know there are 435 Members of Congress. We all have our opinions. For us the Congressional Hispanic Caucus has been working and functioning in this capacity where we do have clerk-hire and we do have fundraising. We will abide by the decision. Mr. Gaydos in terms of his interpretation, representing the caucus that he does, I am not going to quarrel with him. I know for us, because of our massive responsibility, that at the present time, we have been functioning, and I would like to think functioning well. We could always do better, obviously. I would not quarrel with Mr. Gaydos, but I would hope that when those guidelines are set forth, I would just ask that we be given ample time to make the proper and necessary adjustments to whatever you decide.

Mr. **Ratchford**. I thank the gentleman.

At this time I yield to Mr. Lee.

Mr. **Lee**. Thank you, Mr. Chairman.

Congressman Garcia, if outside funding is continued to be permitted, how do you feel about the current $1,000 ceiling? Is that too high? Should it be lowered?

Mr. **Garcia**. Just to give you one example in response, Gary, to your question, the fact is that we have a scholarship program, and I believe that the organization that funds that—we receive $15,000 from one organization alone to fund a scholarship program in which we have four Hispanic youngsters from various parts of the country coming in and spending 6 months with us here, with a stipend, and working on Capitol Hill.

So I guess that may be one of the largest contributions you have probably heard of. We have done that. It has functioned very well.

Mr. **Lee**. So you think the $1,000 level is appropriate?

Mr. **Garcia**. Well, in our particular case, we would not be able to have these youngsters working on various staff committees here without that help. It would be virtually impossible.

Mr. **Lee**. I thank the gentleman.

I yield back, Mr. Chairman.

Mr. **Ratchford**. Mr. Swift?

Mr. **Swift**. Thank you, Mr. Chairman.

Caucuses the size of yours pose a very special problem for us, because you do have a small membership within the Congress on which to draw, and you do have overwhelming responsibilities to a broader constituency than merely those who have elected you. But my reading of the crystal ball tells me that we are going to have to do some creative thinking for those caucuses to survive. Let me explore a couple of things. We have explored the idea of separate institutes and what their relationship might be; a means, for example, where perhaps the scholarships could be handled. Does your caucus permit non-Hispanic Members to join?

Mr. **Garcia**. Well, we have—our size may be only 6, those of us of the Hispanic heritage, but we have about 150 honorary members made up of Congresspersons and Senators from various parts of the country.

Mr. **Swift**. Do they contribute to clerk-hire?

Mr. **Garcia**. No.

Mr. **Swift**. Can they, as far as your——

Mr. **Garcia**. Well, I would say yes. I would never say no, if they would care to contribute. Let me just say this, if I may. There are 50 congressional districts in the United States at the present time with a population of over 15 percent Hispanics within those 50 congressional districts, so that there are Members of the U.S. Congress and Senators who with their large Hispanic constituency, and because we permit them to join with us as honorary members—and we may be one of the few who do; I do not know of any other caucus who has honorary members—we feel this gives us a relationship with the Member for the constituency that he represents and vice versa with him and with us. So that we have never asked any other Member, honorary member, for clerk-hire except those who are actual members of the Congressional Hispanic Caucus.

Mr. SWIFT. If, in fact, the House should determine that there would be—they would not be permitted to have outside contributions, do you see problems with—with exploring, as far as your caucus is concerned, of encouraging non-Hispanic Members to become a member of your caucus and contribute to—through their clerk-hire?

Mr. GARCIA. Well, we have never discouraged it. We will not discourage it. I believe my feeling is, if that is what the committee decides, and Congress decided, we will have to abide by it. I am sure that whatever adjustments have to be made we will have to make them, because more important than whatever you decide, as far as I am concerned, as the present chairman, is that the Hispanic Caucus continue to function.

The only thing, again, is that I really hope that you would give us the time. That to me is absolutely essential, because I just think the question of adjustment as it has been proposed is just virtually impossible.

Mr. SWIFT. Thank you very much.

Mr. RATCHFORD. We thank the gentleman. At this point all of us have to go over and vote. We would ask Congressman Bethune if he wants to come back or be our first witness at 2:15 this afternoon.

We will then stand in recess until 2:15 this afternoon, at which point we will hear from Congressman Bethune, we will hear from Congressman Stokes, and we will hear also from the representative of the Better Government Association, Terry Brunner.

The committee stands in recess until 2:15 this afternoon.

[Whereupon, at 12:45 p.m., the subcommittee was recessed, to reconvene at 2:15 p.m., the same day.]

Mr. RATCHFORD. At this point we will reopen the hearing. We thank the gentleman for his patience. We know he was here before the series of rollcalls and, therefore, we simply would open up at this point with the Member. Mr. Bethune, please proceed.

TESTIMONY OF HON. ED BETHUNE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. BETHUNE. Thank you, Mr. Chairman and members of the committee. I do not have a written statement. As you know, Mr. Chairman and members of the committee, I am a member of the Budget Committee and the Banking Committee. I do have some views on the subject, and I thought it might be useful to the committee members. I am not a member of any of the caucuses which concern the committee. I have not joined them. I did, when I first came to the Congress, get in a couple of caucuses, and then I began to ask myself whether or not this was a good thing to do, and I am still very troubled by it, so I thought, when I heard about the hearings, that I might tell you some of the things that have gone through my mind as I made my decision as an individual Member, because I know you are going to hear and have heard from the chairmen of the particular caucuses, and I thought it might be useful for you to hear from a plain, ordinary Member who came to his decision on his own on this particular subject.

As I see it, caucuses are an indispensable part of the political process. Politicians are going to caucus. We know that. It is the nature of politicians to caucus. I remember when I first arrived I sat down in this Republican Conference meeting with Mr. John Paul Hammerschmidt and two senior Members walked by and said, "The Arkansas delegation is caucusing."

I think that is healthy. We caucus frequently. I think Members of Congress have caucused now for hundreds of years. It is usually very productive. We cannot stop it, and we do not want to stop that but, as I see it, the problem arises when the caucuses are normalized and become structured, and then that process becomes an apparatus with well-developed ties to the Government, financial ties or otherwise, which tend to put these special interests under consideration in a particular caucus in an advantageous or favored position relative to all of the other conceivable interests that seek representation here in the Congress. I would hate to have to sit down and try to enumerate, categorize, and define all of the interests that we deal with here in this body.

In any case I think the tendency that has developed runs afoul of several important principles of fundamental fairness that I have been able to identify, and I would like to address them. I am speaking of equal protection of the law, and taxation without representation, and one man, one vote. As we begin to break ourselves into these factions, or these caucuses, and as we begin to formalize them and they become structured, the question arises, Are we permitting as a government particular interests to have a favored position complete with financial assistance, inkind assistance, and other benefits, and does that not raise questions of equal protection, equal representation for taxpayers who are not similarly represented? I see that as the basic problem. As I said, caucuses are an indispensable part of our process and can be healthy, but like anything else the situation can get out of hand. I think that is probably the circumstance that we face today.

I would like to elaborate just a moment on this idea of one man, one vote, or taxation without representation, or equal protection, for I have heard the people who argue that there is a place for highly structured caucusing here in the Congress say that it is important to advocate the particular interest of that group because for one reason or another they are underrepresented in the makeup of the Congress. It occurs to me that we have a political process which has developed now for a couple hundred years. It has been refined and embellished from time to time. We have the Federal Election Commission. We have well-developed political parties in our country. We have rules that are constitutional in origin for reapportionment. We have court decisions which are very complex with respect to being certain that we have one man, one vote. And then we have the Department of Justice following up with the voting rights legislation that we have in the country. All of that is to insure that somehow the process that we love does adequately represent all of the various interests in the country.

I think that the argument that we need formal highly structured caucuses funded by Government to somehow correct some underrepresentation or some error that has worked its way into the system is basically to attack the system that is in place now. I think that if the attack were systematic and logical then it might make sense, but these particular caucuses that we find have not grown systematically or within any rational process; they have just grown like topsy. So I think that we need to think carefully about the point that is argued that somehow the caucuses will correct some imbalances that exist in the representational system.

I have worried about this probably more than any single Member should, but I did it because in the last couple of years there has been a full-court press to get membership in particular caucuses, and every time the press was applied it inspired me to think about my position. You have got a tough job, but I predict that after thoughtful deliberation which you will give to this problem that you are going to discover that this is a tarbaby and that the only way to rectify the imbroglio in which we find ourselves is to prohibit any sort of formal or structured caucuses in the Congress save and except the informal caucuses, and save and except those caucuses that advance the interest of the two historical political factions that relate to the political parties here in the Congress. Otherwise you are inevitably going to address the question of whether or not you are being fair to all of the interests who are not represented here by a caucus, which would require you to identify all of those particular interests. Then as to whether or not we should address this question now or wait until later, I really do not think it is a complicated issue for the Congress, and I think that to put it off just means that the issue will come again another day.

The question of whether some of the existing caucuses can survive without the assistance that they receive in one form or another now intrigues me, because all of the interests out there in the real world that are not represented here by caucuses are surviving with no help at all at this particular moment.

So I think that we will simply make a bad situation worse by grandfathering or by stretching out or delaying the treatment of this particular problem. I do not envy your position, because it is going to be difficult because the forces have developed to the point where they can spread out through the Congress now and encourage Members to bring their particular points to you personally, and I know you are going to be besieged and it will be a difficult one to handle. I will be available to help in any way I can.

I again apologize for the fact that I have not been able to put my thoughts on paper. I would be pleased to do so if the committee should think that necessary, and I would be pleased to come back and do anything I can to help solve what I think is a significant problem, because it does run contrary to our entire history as a republic.

Thank you very much.

Mr. **Ratchford**. The gentleman has given a very thoughtful statement. All three of us on the panel belong to various groups, and we said that for the record. Can we inquire if you belong to any caucuses, and if so which ones?

Mr. **Bethune**. Unless we want to consider the Republican Conference a caucus—I was president of the 96th freshman Republican Club. I was originally, when I got to Congress, a member of a couple. I cannot even remember—it might have been port, rural—

but I have since discontinued my membership in any of those, Mr. Chairman.

Mr. **Ratchford**. We will hear next from the Committee on Standards of Official Conduct in a statement which suggests that the standards that apply to the Member ought to apply to the caucuses. Do you share that point of view?

Mr. **Bethune**. Certainly. Absolutely. The standard that I am concerned most about in this particular issue—because I know every Member here personally and I know the quality of people that are here. We have had our bad moments even since we have been here, but for the most part they are fine people here in Congress, all well-intentioned, but having said that we all know that there is the appearance of impropriety that can frequently be worse than the actual fact. So I think that is a very important standard, and I think that regardless of the decision the committee makes it will do a lot to allay that concern. But I do absolutely believe that, Mr. Chairman.

Mr. **Ratchford**. What the gentleman is saying for the record is that whether it is $1 or thousands of dollars, that there cannot or should not be the mix between clerk-hire and private money.

Mr. **Bethune**. It makes no difference whether it is $1 or $1,000. The evil attaches in my mind when the first dollar changes hands.

Mr. **Ratchford**. We have heard mixed testimony since early this morning, some saying no—I do not know whether you were here when Mr. Gaydos came down hard saying none whatsoever, others saying a little with a ceiling, others saying if it is a subscription we will treat it differently, and that is a difficult issue obviously, but we get back to the basic question of whether you can combine the two and still have compliance with the standards that apply to the individual Member. Obviously your point of view is clear, the answer is no.

Mr. **Bethune**. I just do not see how you can do it unless you somehow fashion a system so we can provide equal representation to all of the other conceivable interests that are out there. Otherwise we just open the door for a real mess.

Mr. **Ratchford**. I thank the gentleman.

Mr. Lee.

Mr. **Lee**. Thank you, Mr. Chairman.

First I would like to compliment the gentleman on his cogent extemporaneous comments. I wonder secondly did the gentleman—knowing how much thought you have given to the possibility of formulating legislation—do you have any concepts in draft form that you might be able to share with us that would help us in our deliberations?

Mr. **Bethune**. If I draft anything, Mr. Lee, it would be to draft one to prohibit caucusing, save and except for informal caucuses which have no tie, monetary or otherwise, to the Congress, which would be the classic kind of caucusing, and save and except those historical well-known customary political forces that relate to the political parties here in the Congress. That would be the nature of any resolution or proposal that I would draft. I intend to draft such a proposal for your consideration, and perhaps it would be one that you can play off of or use as a benchmark.

Mr. **Lee**. I thank you, Mr. Chairman.

Mr. **Ratchford**. Mr. Swift.

Mr. **Swift**. Thank you, Mr. Chairman.

You obviously have given this more thought than I had until I drew this assignment, but to deal with this on the philosophical plane, something that has been intriguing me in the last week is why did the caucuses develop? Are they a cause or are they an effect? Are their existence a reflection of something going wrong with the institutions as it is adapting to modern times, or is it simply exploitation by special interest groups? Have you had any thoughts on that?

Mr. **Bethune**. Yes; I have. I wrote a paper last year which I titled "The Forgotten Remedy," and the purpose of the paper was to point out that the Congress in the House and Senate had not changed hands for a quarter of a century, and that the people—particularly people like myself; I am 45 now—25 years ago I was 20 years old so I do not really remember the last time that the political forces here in Congress changed hands. I was into sports and girls and Marine Corps and things like that in those days, and I just was not into politics. So I do not remember the last time the House of Representatives changed hands. So I wrote an article which was to say most people like myself had forgotten how to change the political power in the Congress and how to break and start a new day. I got some interest in the paper, but in any case I think that if our forefathers were to come back and find that there was some disenchantment with the Congress they would say to us, "Well, throw out whoever is in power and who controls the Congress and elect enough members of the opposing faction so that you can put in new leadership, and in that way sweep out some of the committee staffers, and the new broom sweeps clean," and in that way you would change the mind set that grips the Congress and the committee structure.

And so anyway I called all that the forgotten remedy. I think that probably caucuses like budget reform, like ethics reform and all of those things is an outgrowth of the fact that the people have really forgotten truly how the forefathers would have changed the institution, so they have been searching for other ways to break the entrenched power and open it up for new ways of thinking and fresh ideas.

So I think that the caucuses are just a continuation of the phenomenon which brought us the budget reform and the changes in the seniority system and all of that.

Now that the Senate has changed hands I think I will follow that with interest and see whether or not that might in some way undo the need for caucusing to the extent that we have it in the House. But I am going to pursue these philosophical angles, to the dismay of some, but that is my thought.

Mr. **Swift**. I think that is an interesting possibility. I certainly think there are some other possibilities. I am amused by the fact I am not sure if the Founding Fathers and the early Congress were to come back and find the institution in disrepute and individual Members, some chairmen and so forth, that they might say nothing has changed since our day 200 years ago.

It is also possible that the task of Congress is becoming increasingly complex; that individual Members do not have the time to reflect as they used to. I am reminded of the man whom I replaced.

He retired. After 6 months out of office, I said how are you doing, He said it is really terrific, I even have a chance once in a while to think. I am wondering if it might also be that these extrusions on this institution that grow like mushrooms may not be perhaps not a good way but a kind of evolutionary response to increasing pressures on the institution, and it may be that both your point of view and mine are accurate. Thank you very much.

Mr. **Bethune**. Thank you.

Mr. **Ratchford**. I thank the gentleman. I would inquire, has Senator Helms set up a caucus under the New Beginning?

Mr. **Bethune**. I do not know, but if he has, I think it would be prohibited under my description.

Mr. **Ratchford**. We thank the gentleman seriously, and he has given us pause to think. We appreciate it.

Is there a representative here for the Committee on Standards of Official Conduct?

If not, the representative of BGA. If you would identify yourself for the record, and if there are other participants, would you identify them also.

TESTIMONY OF J. TERRENCE BRUNNER, EXECUTIVE DIRECTOR, BETTER GOVERNMENT ASSOCIATION, ACCOMPANIED BY LEE NORRGARD, CHIEF INVESTIGATOR, WASHINGTON OFFICE, AND ROY PETTY, STAFF ATTORNEY

Mr. **Brunner**. Mr. Chairman, my name is J. Terrence Brunner, and I am the executive director of the Better Government Association. With me today is our chief investigative person from our Washington office, Lee Norrgard, and our staff attorney, Roy Petty.

Mr. **Ratchford**. Before you get into your statement, the panelists sitting with me have asked, if it is not included, if you could give us a bit of background about the organization as part of your statement. It just exploded on the scene here. The three of us emerged as a result of that explosion, and the day's hearing was a direct byproduct, and I think we have a healthy outcome, but the organization basically remains unknown.

Just as we are probing other organizations, could you tell us about yours?

Mr. **Brunner**. The Better Government Association is an old organization. It started in 1926 in Chicago and it was formed by a group of Methodist ministers who were unhappy about the fact that folks were machinegunning other folks in the street.

Mr. **Lee**. Was that a Methodist caucus?

Mr. **Brunner**. Of some sort. What occurred was that, if you look at the old news clips, the response by the congressional Representatives of the city of Chicago was to suggest these folks should be put out of business—because they were bringing to light in newspapers the bad conditions of Prohibition and they went around incidentally breaking up speakeasys with sledge hammers—that this was a bad thing because it was damaging the worldwide reputation of the city.

The organization evolved and is made up of a nonpartisan board of directors of concerned citizens. We have 48 directors and at the moment 19 trustees. Through the years, the organization has been led by such folks as Adlai Stevenson, who later became Governor of

Illinois, and at one point the investigative program that was begun in 1964, the original impetus for that program was done by Charles Percy, who was then the chairman of the Bell & Howell Corp. He went around the city because he was unhappy with the fact all the law enforcement agencies in the city as well as the city government were controlled by one party, and set up an organization to attempt to look at these problems and to do that on a street-investigation basis. We are unique in the country. No one else does this but us. There are think tanks and research groups and so forth, but in doing that, they hired an investigator by the name of Joe Woods, who was incidentally the brother of Rosemary, and an FBI agent, and they did an investigation with the Chicago Tribune into the Metropolitan Sanitary District which won the Pulitzer Prize. Since then there have been two more Pulitzers on investigations done by BGA.

The organization working with the media has worked with such television programs as "20-20," "Sixty Minutes," "Brinkley Magazine" show. The investigations which we have done have won almost, I would say, every major journalism award for investigative reporting. If you watched "Sixty Minutes" on Saturday night or Sunday night, one of our pieces that we did in which we set up a medicaid clinic in Chicago to demonstrate the fact there was widespread medicaid fraud was one critiqued by Wallace and the other panel members.

Most recently, I think the organization has received notoriety from the fact that along with the Chicago Sun-Times we purchased and operated a tavern in Chicago called Mirage Tavern which ended up running as a front-page story in the Sun-Times and winning most of the journalism prizes with exception of Pulitzer because Messrs. Bradlee (phonetic) and Patterson (phonetic) suggested that was an unfair thing to do and not good journalism and was featured on "Sixty Minutes" with Mike Wallace.

We also did a series of undercover investigations into what is called abortion profiteers, abortion clinics on Michigan Avenue in Chicago, that were doing 22,000 of 79,000 abortions performed in Illinois and routinely butchering people and performing abortions on women not pregnant. Those are the sorts of things we have done in the past. We have done a number of investigations, the one on medicaid fraud becoming a classic. The FBI now uses it for a training film. We did it on a cooperative basis with the then Select Committee on Aging in the Senate, with the senior Senator from Utah. That has sort of become a classic. So we had done the sort of thing and we received a grant from the MacArthur (phonetic) Foundation to do more investigations of waste, fraud, and corruption at the national level which resulted in our opening a Washington office and hiring lawyers and investigators and doubling our resources so we could do more of these sorts of things.

In the last 2 years, there have been about seven or eight or nine investigations which we have done with national media outlets, one of which was done by Larry Yellen (phonetic) of our staff that won National Press Corps' highest awards for best Washington investigation last year. This was an investigation into the Department of Agriculture's business and industrial loan program. That is sort of who we are, Mr. Chairman.

Mr. **Ratchford**. Do you care to say how you get into this investigation?

Mr. **Brunner**. Most of these investigations—and I think this one began that way—came about in a brainstorming session between people on our staff and people in the media and in this instance with "The Lawmakers" public television show. Someone said there is a problem with the caucus system and we should take a look at it. The fellow who heads our Washington office who unfortunately had to go on a month's vacation at this point used to be the legislative assistant to Sidney Yates, Democrat of Illinois, and there are a number of folks on our staff who have worked in various congressional offices in the past, so they were familiar with the system.

Mr. **Lee**. Could you also elaborate on what are the sources of your funds?

Mr. **Brunner**. The sources of the funds, we have approximately somewhere between 3,500 and 4,000 contributors who give us contributions which range anywhere—they are members—from $1 to, I think the highest individual nonfoundation contribution was $6,000. It is a wide range of business interests in Chicago, individuals, many of whom we really do not even know who they are because they respond to direct mail. We do have large foundation grants from the MacArthur Foundation, one from Chicago Community Trust, another from the Clark Foundation in New York, one from Borg-Warner Foundation, but it is a pretty disparate sort of range of contributors.

First, Mr. Chairman, we would like to congratulate the committee and the ad hoc subcommittee for having the foresight to recognize the ethical problems surrounding the activities of legislative service organizations. You have acted with resolve, and we applaud you for it.

We have reviewed the committee's proposed order regarding the organization and financing of LSO's, and we believe that it solves most of the problems involved in current LSO operations without being unduly restrictive. House caucuses play a very important and valuable role in the legislative process, and we believe that this proposed order—rather than hurting the caucus system—will ultimately strengthen it and help it to work as it should to aid Members of Congress.

You have asked us to respond to five questions regarding the impact of the proposed order on LSO's in the House. Because your invitation to us indicated that you have already thoroughly reviewed our letter and detailed memorandum dated September 18, we will limit our prepared testimony to the questions of utmost concern to you.

For guidance in answering these questions, we have gone back to the code of ethics passed by the House in 1977, and the advisory opinions interpreting that code, in order to determine the original intent behind these reforms. A major underlying principle of the new rules was to stop the flow of outside money into Congress—in the words of the Select Committee on Ethics, to "build a wall between private funds and official allowances." Unfortunately, the applicability of these rules to caucuses has not been wholly resolved. The result has been that groups of Congressmen are now able to do, by acting together, what they are prohibited from doing as individuals: They can accept gifts from persons with a direct interest in legislation, they can use private funds for official purposes, and they can in effect mix these private funds with congressional funds, subject to little oversight or control. We believe that the same basic principles that guide individual Members of Congress should also guide groups of Members.

Thus we believe that the proper answer to your first question—are there any circumstances under which an LSO should be allowed to draw resources from outside the Congress—is an unequivocal no. House Rule XLV, which bans unofficial office accounts, and House Rule XLIII, clause 4, which bans donations to Congressmen of more than $100 yearly from persons with a direct interest in legislation, were intended not only to prevent impropriety, but also to prevent the appearance of impropriety. The flow of private cash into Congress, whether to an individual or to a caucus, certainly appears improper. At the very least, it suggests a dual allegiance, and at worst, it creates a climate for influence peddling—the same kind of situation which, when it went out of control only 5 years ago, embarrassed the Nation and ultimately resulted in strict ethical reforms.

Second, to what extent should LSO's be allowed to recoup the cost of services provided to entities outside of Congress? We note that the proposed regulation defines a legislative service organization in paragraph 1(b) as a group "operated solely to provide legislative services or other assistance to the Members thereof in the performance of their official duties." That is, an LSO should focus its activities inward, to the House, rather than outward, to the interest group it serves. It seems reasonable to permit LSO's to be reimbursed for the cost of providing services incidental to that inward focus. However, the House should be on guard against any proposal which would, for example, permit a special interest group to run its own large-scale publishing operation or direct mail campaign from within the Halls of Congress. We believe the proposed regulation deals with that potential adequately, and need not be modified.

Third, what do we suggest regarding the problem of LSO's which perform worthwhile functions but have a membership base too small to sustain their activities from that base alone? We uge groups facing this problem to examine their activities to determine which functions can only be performed within the House of Representatives, and which functions can be easily performed by other organizations which are not a part of Congress. Some LSO's currently perform very valuable research, information-gathering, and outreach functions which require a large professional staff; other LSO's have already resolved this problem by having those same services provided by outside organizations with whom they have close ties. A good example is the Congresswoman's Caucus, which in 1979 determined that the most appropriate way to perform some of its services was to sponsor the establishment of an independent, nonprofit research and education institute, not located in Congress. We believe that, in general, this is an appropriate response to the potential problems raised by this committee's proposed order. However, Members should be alert to the danger that such groups could become conduits for the flow of money or in-kind support into Congress. Not only should the financial and organizational dividing lines between such groups and Congress be absolute and clear, but as we recommended in our memorandum to the committee, formally affiliated research arms should also be accountable to the House.

I think too that we would also share the sort of solution put forth by Representative Edgar this morning in which he suggested there should be more public funding in one form or another for the Congress to fulfill these research functions. I think too in our own debates internally we have tended to conclude in a very esoteric political science sort of way that if you argue and talk about this as much as we have, as much as I am sure you are doing now, that you begin to come out where Representative Bethune comes out, particularly with regard to the argument that you should have a caucus to represent people who are underrepresented. That argument assumes for instance that a Congressman within a particular district—and maybe I am most familiar with the ninth district in Illinois, which is Congressman Yates' district and has a tremendous range of I think the secondmost Orientals in the country, a most high percentage of black citizens, and so forth. You would have to assume to make that point valid that Congressman Yates, who is widely thought of as being an outstanding Representative, was not doing an adequate job in representing these people. I think once you agree to that you start to go down a road which Representative Bethune suggested which puts you in a funny position vis-a-vis the present system of representative democracy in our country.

Fourth, should LSO's be allowed to accept in-kind support such as interns, fellows, research work, or hosted conferences from sources outside the Congress? We believe that the Select Committee on Ethics of the 95th Congress adequately answered this question as regards interns and fellows, in advisory opinion No. 6. The committee stated that for purposes of House Rule 45, the private contribution of in-kind services for official purposes is prohibited; an exception is made for the services of interns, "based on the understanding that such intern programs are primarily of educational benefit to the intern and do not give undue advantage to special interest groups." This is based on the principle that private funds should not pay for official duties in any way, directly or indirectly; this principle should be extended to all the ways in which private interests can subsidize the work of Congress, regardless of form. Consequently, it should not be permitted for private interests to pay for a conference intended solely or principally to benefit a caucus. The providing of research materials to LSO's is a more difficult question, since it may be difficult or impossible to distinguish between research which is merely a form of in-kind private support, and that which is intended for the public's benefit. Further, to restrict Congressmen's access to information on ethical grounds could very likely be damaging to the legislative process.

Fifth, beyond the purely financial aspects, you have asked whether we have any concerns about the purposes for which LSO's are organized or the functions which they perform. This is a difficult question, if only because of the vast array of functions provided by various LSO's—no two see their roles the same. But we would like to make two brief comments.

I think it is made more difficult because the essence of the investigative project which we did was really beamed at what are the rules, how do they relate, how are the funds going on, and we have not really addressed or attempted to address the effectiveness let us say of congressional organization by interviewing Congressmen and saying do you think this one works and that does not or should we have them at all.

First, some of the caucuses we looked at resemble influential special interest lobbies more than legislative service organizations. Past BGA investigations have taught us that special interest pressures can distort the legislative process. To the extent that certain caucuses have inordinately increased the presence of special interests within Congress, they are probably going beyond the role that is most appropriate for them.

Second, our research has revealed that these LSO's have sprung up not by design, but spontaneously, and completely outside the formal rules of the House. Ten years ago there were only 4 caucuses in the House; today there are more than 50. This rapid proliferation has gone almost unnoticed, but should not have. We can only wonder what the next stage of evolutionary development might be, if Congress continues to ignore this phenomenon and if the only restraint is the creativity of a fertile legal mind. We believe that the House should more closely monitor such informal groups, toward the goal of encouraging them when they are desirable, and regulating them when necessary.

Thomas Jefferson said, "When a man assumes a public trust, he should consider himself public property." This committee must act so as to insure that those who assume a public trust as Members of Congress act so as to benefit all of the people. No Congressman—or group of Congressmen—should become the private property of a narrow special interest.

Mr. Chairman, in closing I would like to emphasize again that the BGA fully endorses the proposed order of the Committee on House Administration. We are grateful for the opportunity to testify before the subcommittee, and we are confident that you will continue to move quickly and wisely to resolve this perplexing situation.

[The statement of J. Terrence Brunner follows:]

STATEMENT OF J. TERRENCE BRUNNER, EXECUTIVE DIRECTOR OF THE BETTER GOVERNMENT ASSOCIATION

Mr. Chairman, my name is J. Terrence Brunner and I am the executive director of the Better Government Association. The BGA is a nonpartisan, nonprofit national civic watchdog organization with offices in Chicago and Washington. For 57 years, we have been dedicated to promoting efficient use of tax dollars and high standards of public service. We are best known for our investigations of fraud and mismanagement in government programs—but sometimes we look at certain aspects of our government simply to determine whether the high standards of government service are being met, and whether there are potential problems that our lawmakers should know about. Our current project regarding the caucus system in the House of Representatives is just an investigation.

We would like to congratulate the Committee on House Administration and this ad hoc subcommittee for having the foresight to recognize the ethical problems surrounding the activities of legislative service organizations. You have acted with resolve and we applaud you for it.

We have reviewed the Committee's proposed order regarding the organization and financing of LSO's, and we believe that it solves most of the problems involved in current LSO operations, without being unduly restrictive. House caucuses play a very important and valuable role in the legislative process, and we believe that this proposed order—rather than hurting the caucus system—will ultimately strengthen it and help it to work as it should to aid Members of Congress.

You have asked us to respond to five questions regarding the impact of the proposed order on LSO's in the House. Because your invitation to us indicated that you have already thoroughly reviewed our letter and detailed memorandum dated September 18, we will limit our prepared testimony to the questions of utmost concern to you.

For guidance in answering these questions, we have gone back to the code of ethics passed by the House in 1977, and the advisory opinions interpreting that code, in order to determine the original intent behind these reforms. A major underlying principle of the new rules was to stop the flow of outside money into Congress—in the words of the Select Committee on Ethics, to "build a wall between private funds and official allowances." Unfortunately, the applicability of these rules to caucuses has not been wholly resolved. The result has been that groups of congressmen are now able to do, by acting together, what they are prohibited from doing as individuals: they can accept gifts from persons with a direct interest in legislation, they can use private funds for official purposes, and they can in effect mix these private funds with congressional funds, subject to little oversight or control. We believe that the same basic principles that guide individual Members of Congress should also guide groups of Members.

Thus we believe that the proper answer to your first question—are there any circumstances under which an LSO should be allowed to draw resources from outside the Congress—is an unequivocal no. House Rule XLV, which bans unofficial office accounts, and House Rule XLIII, Clause 4, which bans donations to congressmen of more than $100 yearly from persons with a direct interest in legislation, were intended not only to prevent impropriety, but also to prevent the appearance of impropriety. The flow of private cash into Congress, whether to an individual or to a caucus, certainly appears improper. At the very least, it suggests a dual allegiance, and at worst, it creates a climate for influence-peddling—the same kind of situation which, when it went out of control only five years ago, embarrassed the nation and ultimately resulted in strict ethical reforms.

Second, to what extent should LSO's be allowed to recoup the cost of services provided to entities outside of Congress? We note that the proposed regulation defines a legislative service organization in paragraph 1(b) as a group "operated solely to provide legislative services or other assistance to the Members thereof in the performance of their official duties." That is, an LSO should focus its activities inward, to the House, rather than outward, to the interest group it serves. It seems reasonable to permit LSO's to be reimbursed for the cost of providing services incidental to that inward focus. However, the House should be on guard against any proposal which would, for example, permit a special interest group to run its own large-scale publishing operation or direct-mail campaign from within the halls of Congress. We believe the proposed regulation deals with that potential adequately, and need not be modified.

Third, what do we suggest regarding the problem of LSO's which perform worthwhile functions but have a membership base too small to sustain their activities from that base alone? We urge groups facing this problem to examine their activities to determine which functions can only be performed within the House of Representatives, and which functions can be easily performed by other organizations which are not a part of Congress. Some LSO's currently perform very valuable research, information-gathering, and outreach functions which require a large professional staff; other LSO's have already resolved this problem by having those same services provided by outside organizations with whom they have close ties. A good example is the Congresswomen's Caucus, which in 1979 determined that the most appropriate way to perform some of its services was to sponsor the establishment of an independent, nonprofit research and education institute, not located in Congress. We believe that, in general, this is an appropriate response to the potential problems raised by this Committee's proposed order. However, Members should be alert to the danger that such groups could become conduits for the flow of money or in-kind support into Congress. Not only should the financial and organizational dividing lines between such groups and Congress be absolute and clear, but as we recommended in our memorandum to the Committee, formally affiliated research arms should also be accountable to the House.

Fourth, should LSO's be allowed to accept in-kind support such as interns, fellows, research work, or hosted conferences from sources outside the Congress? We believe that the Select Committee on Ethics of the 95th Congress adequately answered this question as regards interns and fellows, in Advisory Opinion No. 6. The Committee stated that for purposes of House Rule 45, the private contribution of in-kind services for official purposes is prohibited; and exception is made for the services of interns, "based on the understanding that such intern programs are primarily of educational benefit to the intern and do not give undue advantage to special interest groups." This is based on the principle that private funds should not pay for official duties in any way, directly or indirectly; this principle should be extended to all the ways in which private interests can subsidize the work of Congress, regardless of form. Consequently, it should not be permitted for private interests to pay for a conference intended solely or principally to benefit a caucus. The providing of research materials to LSO's is a more difficult question, since it may be difficult or impossible to distinguish between research which is merely a form of in-kind private support, and that which is intended for the public's benefit. Further, to restrict congressmen's access to information on ethical grounds could very likely be damaging to the legislative process.

Fifth, beyond the purely financial aspects, you have asked whether we have any concerns about the purposes for which LSO's are organized or the functions which they perform. This is a difficult question, if only because of the vast array of functions provided by various LSO's—no two see their roles the same. But we would like to make two brief comments.

First, some of the caucuses we have looked at resemble influential special interest lobbies more than legislative service organizations. Past BGA investigations have taught us that special interest pressures can distort the legislative process. To the extent that certain caucuses have inordinately increased the presence of special interests within Congress, they are probably going beyond the role that is most appropriate for them.

Second, our research has revealed that these LSO's have sprung up not by design, but spontaneously, and completely outside the formal rules of the House. Ten years ago there were only four caucuses in the House; today there are more than fifty. This rapid proliferation has gone almost unnoticed, but should not have. We can only wonder what the next stage of evolutionary development might be, if Congress continues to ignore this phenomenon and if the only restraint is the creativity of a fertile legal mind. We believe that the House should more closely monitor such informal groups, toward the goal of encouraging them when they are desirable, and regulating them when necessary.

Thomas Jefferson said, "When a man assumes a public trust, he should consider himself public property." This Committee must act so as to ensure that those who assume a public trust as Members of Congress have all the means necessary to make fully informed decisions. But this Committee should also ensure that Members of Congress act so as to benefit all of the people. No congressman—or group of congressmen—should become the private property of a narrow special interest.

Mr. Chairman, in closing I would like to emphasize again that the BGA fully endorses the proposed order of the Committee on House Administration. We are grateful for the opportunity to testify before the subcommittee, and we are confident that you will continue to move quickly and wisely to resolve this perplexing situation.

Mr. RATCHFORD. We thank you for your statement. Obviously we will be talking to you through questions now. We would hope you would stand available as we proceed with this process.

Do you have an opinion as to how much of what goes on today is in violation of regulations, rules, or statutes? Do you come down hard on that, or do you see much of this in the gray area?

Mr. BRUNNER. Mr. Chairman, I did spend quite a bit of time as a Federal prosecutor myself, as an assistant U.S. attorney and special attorney with the U.S. Organized Crime and Racketeering Section. These are tough questions. In our discussion with various people about the response in the Department of Justice to those hard ones, it is as I said, when we were there we were scared to death of these things, and I think everybody still is scared to death of it because if I can remember we ran an organized crime strike force in Cleveland. Though I cannot remember which people, it was a question as to whether a certain individual running for Governor was violating the banking laws because of certain sorts of campaign contributions. I think the historic view has been to pull back. I think the Justice Department or lawyers in general feel this is politics and we ought not to, in that position, be telling politicians how to run their business. That is more in their area. So I guess we have carried through that sort of concept, and we have not really attempted to tell you in a tough way maybe you are violating a law here or there. I think our report was drawn to suggest there are a lot of problems and they are tough ones and not to draw conclusions that we possibly are not capable of drawing. I think what we hope to do was what is happening. We hoped to get your attention and your interest so that you would use the devices of this important body to take a look at the tough questions.

Mr. RATCHFORD. Is it fair to say your bottom line is you see a problem and you feel the institution needs to clean up its act?

Mr. BRUNNER. I think that is an accurate summary. As I mentioned earlier we have done a lot of things with Mike Wallace and Geraldo Rivera, but if you looked at how we approached that problem, it is not in that manner. I do not think we have here a situation that is terribly aggravated. You do not have an Abscam and you do not have the problem that existed when the Obey Commission came in to being, but you have a problem which we believe based on the trends—if you look at the evolution—might well carry you into that area because of its snowball effect within the next 5 years, let us say. We really do believe that if you had a fertile, creative legal mind you could take a look at these rules and let us say begin running a large-scale direct mail operation under a caucus on behalf of a very narrow special interest lobby. There are a whole series of things that are possible potentially, and I think that if you act now that this is not going to happen. I think that would be in the best interest of the House, and I think that certainly that is why we have approached it this way. We have not gone at this project hammer and tongs in suggesting that you all are doing something awful here, because we just do not think that is true.

Mr. RATCHFORD. It is apparent this climate for change is here. Walk down the road with me with that fertile legal mind that you refer to. Do we face the possibility of changing 50 caucuses into 50 institutes, perhaps changing the funding but still having the presence of 50 separate bodies out there attempting to do what we now call caucus activity?

Mr. BRUNNER. I think that is possible, and I think there are Members who we have spoken to who are looking at the situation much differently than we have looked at it who feel caucuses in and of themselves are divisive and foster single-issue politics, which generally is a bad idea. I think we have thought that you could, given the present rules, form your own caucus around a particular gun control or whatever, very narrow issue, and begin to use the wizards that reside in this city around the beltway in direct mail and begin large-scale mailings which eventually could produce a computer characterization of everybody's district, and to use that information then internally if you say have 250,000 members which might not be impossible around that particular issue to intimidate individual House Members who did not agree with the position taken by the special interest group.

However, the problem is that as you suggest, if that is going to happen, maybe we are all creatures of this technology—that if that does occur it is going to occur outside anyway. A number of people have suggested that to us who are in position to look at this issue, and this is not going to solve that. However, it would still be an outside group attempting to influence the process from where they should be outside as opposed to an internal group influencing the process on the inside in that matter. I could foresee under those particular rules as we argued about and the possibility that you would set Congressman against Congressman on very narrow grounds on which one Congressman would say to another, I have the ability to defeat you through my technology here if you do not vote with me on a certain position for the group that I represent. It would appear to us that that particular scenario is really at odds—getting back to what Representative Bethune suggested—the whole idea of a Congressman who represents a whole bunch of different kind of people in his district and attempts to mediate out not only what is best for his district but for the United States of America.

Mr. RATCHFORD. We have that system right now. I guess our charge from the parent committee is to deal with the narrow issue, but I appreciate your point of view on the broader issue as it unfolds before us.

At this point I will yield to Congressman Lee.

Mr. LEE. Thank you, Mr. Chairman.

Mr. Brunner, based upon your evaluation, analysis of the various caucuses, is it your opinion that these caucuses have indeed complied with the spirit and the actual rules of the House as they govern caucuses or legislative service organizations?

Mr. BRUNNER. As a whole?

Mr. LEE. Yes sir.

Mr. BRUNNER. That is a tough one. Obviously I think the report speaks for itself. We pointed out in certain instances where we think the spirit of the rules were violated by individual caucuses. It is hard to generalize and I don't want to be in a position of saying everybody is doing all right or everybody is doing something all wrong, because that is the opposite of the fact situation. The fact situation is everybody is doing things all in a different manner and there are justifications, as you have heard, for these different positions, and it is pretty hard to come down with some sort of generalized statement with regard to the whole system.

Mr. LEE. Basically, you are saying it appears to you from the effort you have put into this that there has been a violation of the spirit more so than an actual violation of the strict construction or interpretation of the law?

Mr. BRUNNER. I think one lawyer might look at those rules and say the rules are being violated. Another lawyer might look at the same rules and say they are not. Clearly the spirit of the thing is not being followed.

Mr. LEE. The reason I ask, I think you have been here most of the day. I asked this question of some of the various people that appeared before us to see what their interpretation is on the same question.

Second, on page 6 of your statement, where you started—actually the first paragraph:

"Two brief comments"—you indicate," Some of the caucuses we have looked at resemble influential special interest lobbies more than legislative service organizations."

Could you elaborate? What are some of those caucuses that you looked at that give you that impression or that conclusion that they are more of a lobbying group than a legislative service organization?

Mr. BRUNNER. I can tell you what I think, but I think that I put in more actual research and I would hate to give you—these are the five we think look this way and these are the five we think look that way. If anything struck us—we have been at this for 4 months and I think you are probably going to be right with us pretty soon if you are not there already, in thinking this is one very difficult subject to make generalizations about, but certain things start to strike you after a while.

Obviously, in my mind, travel tourism would strike me as being one that fits there. But let me have Lee tell you what he thinks.

Mr. NORRGARD. I think some of the caucuses would define their role as outward rather than inward. Travel and tourism is one where the chairman and vice chairman defined it that way. That is their role, outward looking, trying to put together under an umbrella organization the various elements of the industry. Obviously, steel tends to be outward looking. They do nothing in the way of accepting contributions. They have certainly set the limit there. But they have certainly been outward looking. Some of the regional—they are looking at regional interests. They also tend to be outward looking, but they are also inward looking. Different caucuses perform different roles at different times as well, but many are outward looking. I think those are a number of examples.

Mr. LEE. Is it fair to say, sir, this is predicated somewhat on the perception as to the criteria of characteristics that you may be looking at in applying the evaluation to a given caucus, one versus the other, where there is inward focus or outward focus?

Mr. NORRGARD. It is a perception on the members part, in this particular instance, of travel and tourism.

Mr. LEE. Or the perception in our group or another group making this evaluation as to whether it is inward or outward focus, or what other criteria you would like to use to make that evaluation.

Mr. BRUNNER. I think what Lee is trying to suggest is this is the way they were speaking to us as we went about the process of interviewing the people that run these caucuses. I don't believe people involved in that think that is particularly bad and I think that these are not people who are approaching this from sort of an evil motivation. It is a good motivation and isolated and looked at alone, it appears to be a very, very good thing in many instances.

I was struck by Representative Watkins' discussion today. We are obviously on different sides, but I think those folks are sincere in thinking this is an important problem. I think that is why the particular item for discussion is so hard to get at, because what we are really saying—and as I mentioned, what Representative Bethune is saying—is that a whole bunch of really worthwhile things may in the long run be very bad in a certain sense.

Mr. **Lee**. Just two other points, Mr. Brunner. If we follow through the recommendation, I think you cite in your statement or quoting some document, to build the wall, the private sector fund versus public sector fund, how can you reconcile that with the recommendation that you made—I think in one of your papers—that subscriptions would be allowable? Again, earlier today I tried to pursue this point that sometimes it is extremely difficult, if you permit subscriptions, to police that with the creative accounting procedures which could be put in place to capture so-called cost of the newsletter or whatever; that you have this inherent danger of outside funds coming back to the caucus through the mechanism of subscriptions. Can you comment on that?

Mr. **Brunner**. I think our recommendations are the result of looking at these facts, discussing it with people in the Congress, the rationales that people gave us as we interviewed them for why things work, the way they work. I don't think in that particular item we think that that is the greatest remedy since canned beer. I think there are pretty good arguments to go in either direction from that point; that you could argue that not only should you be allowed to recover the amount of postage for a newsletter but at the same time you should be able to recover your printing costs and the amount to staple and put it in—the information. At the same time I can tell you personally that I have been swayed myself by the discussion, particularly questions asked by Representative Swift with regard to the Washington Post and so forth; that maybe the answer is the simpler the better; that if you do come down where we are at—which is not quite you can't take any money at all for it, you can recover your postage—that you are better off not taking any money at all because we get back to the business of the fertile, creative legal mind and the idea of photocopying off the Washington Post and charging $150. And you are going to find people, if you are in the business, as Representative Gaydos suggested, of being influenced, you will find people that will pay you $150 a year for those old clips from the Post if they want to give you some money. So the more I hear the argument, the more I would tend to agree with the suggestions that Representative Swift has made. I think what you are suggesting now, it is probably a bad idea, too.

Mr. **Lee**. I thank the gentleman, and I yield back, Mr. Chairman.

Mr. **Ratchford**. Mr. Swift.

Mr. **Swift**. Thank you, Mr. Chairman. First, I would like to compliment the Better Government Association on the manner in which they brought this issue out. There was a noticable lack of self-righteousness and extreme rhetoric, and it might be useful to note this. This institution has responded very quickly and very favorably and we might not have had we had somebody jumping on our chest, screaming at us and putting us in a defensive posture. This may be something for the people concerned with good government to consider in terms of approach. Having said that, I would add I probably actively supported almost every reform that has come along in my adult lifetime. We now have a situation in our State where we have opened everything up and made it so fair and clean and pure that a city council member or county commissioner cannot talk to anybody who is advocating anything on any side of any issue before them, which is carrying the concept of ignorance being bliss to an extreme which leads me to Swift's first law of politics which is "any reform carries with it the seeds of the abuse that will require the next reform," which brings me to this point. We have been exploring all day long the possibility that the one way of resolving problems, particulary for the smaller caucuses, is the independent means to separate ourselves from the caucus. But in doing such a thing a couple of new problems may develop and you may have thought about these and could offer us so much advice. First, it seems that if in fact you drive a lot of this activity totally out of the House it also means the House loses any control over it at all. Whether there is any particular inherent virtue in being able to say that that bad practice is over there and we can't control it—I am not sure that that follows. That in fact not treating caucuses exactly the way we treat Members but rather with a different set of rules that does permit Members in groups to do some things that they can't as individuals might give the House some long-term control that it will otherwise lose. That is one point.

The second one is that I suspect that we will see a growth of the institute kind of concept and that means we better also include in whatever we do what the appropriate role is between the caucus and a nonprofit private institute that work off the Hill. Two points—the second, what should that relationship be? How should we address that aspect of this particular reform? And the larger question, is it better to drive this all out where we can't control it at all or to recognize it is something that maybe is here to stay and it is better to stay in the institution and we develop regulations for it?

Mr. **Brunner**. I think if you drive it out, I think we suggested in our testimony that there should still be accountability. I think you are right. I don't know how you would do that. If it is truly separate, 501 (c)(3) or (c)(4), you couldn't be in a position where you are controlling the Better Government Association, or NAACP, or someone else. But if it is that, then it is no longer a caucus clearly; if you get the name off of it and get all the other trappings off. I think you are still better off having the problem internally. There is another problem with it, too. As I mentioned, as we looked at it we thought maybe the answer is that this money which is worthwhile to provide a service to Congressmen—We don't want to sit here and say that you should not be informed and that there is a real role for the environmental folks and the peace folks and so forth. An individual Congressman does not have, as a very practical matter, enough legislative help to get into those, as Representative Edgar said, to get into those tough questions. I mentioned to him today we had looked at another big project called Deep Tunnel, being built by EPA to cost $12 billion, and it is madness. And as we had gone through the process of attacking that project, we had noticed his testimony, in this Congress, in which he is one of the few folks that had shown an interest in the problem of paving over too much ground in our country resulting in all the water flowing off and causing floods. To get into it, as he suggested to me today, the question of aquifers and infrastructures of the ground and everything—how many legislative assistants have you got? You need that sort of thing. But I would think that the answer would be to give an individual Congressman, let's say, more money for your clerk hire or your House account so you have a greater ability to allocate that.

Mr. RATCHFORD. Has the gentleman figured out how we would get that through the House?

Mr. BRUNNER. We would be for you. If you look at this problem realistically—he is suggesting the same thing in that you give it to the chairman. The other problem with this argument of the smaller caucuses and the institute is that I think an honest, hard look at what those folks are saying—I feel they have to represent everybody in society who happens to be in their group, as opposed to what they are actually doing, because they are making a decision. Each Congressman is voting on whether or not he thinks that caucus is really important when he doesn't know how much money is going to be allocated to it. I would suggest if you would look hard at those numbers, these folks who are telling you one thing are not necessarily supporting it themselves. They are choosing, as the first witness said today—he does not support it because he has other legislative things that are more important. I think that is fairly typical in those particular instances.

Mr. SWIFT. If I hear you correctly, you are saying you think that getting—whatever abuses might be made of the institute concept is better to get it totally separated from the House, and off the Hill and fester there, if it is going to fester, but get it out of the institution.

Mr. BRUNNER. The festering comes about in this particular set of circumstances because it is an activity which might be appropriate to the outside in the political process but it is on the inside. When I went to University of Wisconsin, Ralph Hewitt taught me politics, and that pressure groups were part of a society, and we are a good thing—and I believe it; but outside lobbying you, not inside lobbying you. That is the difficulty.

Mr. SWIFT. You know Ralph Hewitt?

Mr. BRUNNER. He was my old professor.

Mr. SWIFT. Do you ever see him anymore?

Mr. BRUNNER. No.

Mr. SWIFT. One last question, Mr. Chairman.

Mr. RATCHFORD. I want to give Mr. Stokes a chance to tell his story before the bells start ringing on the difficulties of colored nationals.

Mr. SWIFT. The other issue I don't think you addressed—maybe if you have any specific thoughts on it you could contact us or the staff on it. That is, the issue of if, in fact, we do what I suspect we are going to, I think the institutes are going to then mushroom and become more important. And the relationship between that institute and its parallel caucus will be our next problem for reform if we don't handle what that relationship is in these set of guidelines. I think just looking further down the line if you have thoughts—not here for the sake of time—but we would appreciate your comments.

Mr. **Brunner.** It has to do with the word "separate." I don't know as it is a legal entity in our system. You already have the Black Caucus but you have Urban League, and NAACP, and folks doing a good job, and you have ERA.

Mr. **Swift.** But the institute does the research and they bring all the papers up and they are distributed by the caucus. Is that a contribution? Take for example the Black Caucus that has 5 percent of its money out of clerk hire and 95 percent is private, and you take the 95 percent and run a large institute and you have 5 percent that is just a basic skeleton staff up here for internal distribution that is the caucus. Then how does it help get from the institute to the caucus without violating the rules? And if your answer is it does not, then you are saying the Black Caucus is kaput.

I don't want to belabor that any more but any additional thoughts that you might have on that we would appreciate.

Mr. **Brunner.** I would agree that the time to do it is now. That is the whole thought—before you have an exaggerated bad situation, which we don't have yet.

Mr. **Ratchford.** To Mr. Swift and the panel, I agree. That was the line of questions I was pursuing. I sense we are about to make a change and it will be a dramatic change. Shortly after the dramatic change the new phenomenon will be the growth of the institute. While we cannot control it by rules and regulations clearly it is subject to statutes and perhaps we should be looking at all of those again. The knotty issue of lobbying, the question of financing many Members don't like to look at in the climate we have here but we are not going to resolve this issue totally simply by doing what we are talking about today. Thank you.

Mr. **Brunner.** Thank you, Mr. Chairman.

Mr. **Ratchford.** The ever patient chairman of the Committee on Standards of Official Conduct, Mr. Stokes. I would indicate for the record we have your full statement and it will become part of the record. It has been discussed by some of the witnesses already today so feel free to paraphrase or, if you wish, to use the whole statement, but I wanted to get you on the record before we were summoned back across the street again. Please proceed.

TESTIMONY OF HON. LOUIS STOKES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO, AND CHAIRMAN, COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT

Mr. **Stokes.** Thank you, Mr. Chairman. I appreciate very much your consideration. My statement is relatively brief and I might just present it to you and the members of the ad hoc committee as is.

I am pleased, Mr. Chairman, to accept your invitation to appear before you today to offer some comments on several provisions of the rules of the House which fall within the jurisdiction of the Ethics Committee.

Let me begin by stating that I am a strong believer in the value of legislative service organizations. The proliferation of these groups has not occurred in a vacuum. They have evolved so that members can more effectively represent their constituencies. At the same time I am mindful that some criticism has been directed toward some of the practices of these groups. But I believe these criticisms can be addressed without doing harm to the very vital functions they perform.

Let me say that I have reviewed some proposed regulations relating to LSO's, which I understand you have before you. In general, I think these are well thought out and should provide adequate management of this matter. With the assumption that these or similar guidelines are in place, I will respond specifically to the questions posed in your letter of September 24.

One. Does rule XLIII, clause 4, apply to legislative service organizations?

My own answer would be that it should. I can see how no rational purpose is served in laboring a distinction between Members individually and Members as a group. Commonsense suggests that it would be equally offensive for a committee of the Congress to commit an act which would be improper under the rules for an individual Member of Congress to commit. LSO's, like committees, would be integral parts of the House and, as such, are subject to both the letter and the spirit of House rules. The safeguards that this rule provides in the case of Members would be meaningless if it were to be interpreted not to apply to Members collectively.

Two. Does rule XLIII, clause 7, apply to the fundraising activities of legislative service organizations?

The answer to this question becomes moot if the proposed regulations with respect to the receipt of income are adopted. The same logic as I have stated with respect to clause 4 is equally applicable here. I would observe, however, that to the extent LSO's may have income from the sale of publications, I would not view this as "fundraising" within the meaning of clause 7 and thus not subject to the rule.

Three. Does rule XLV, apply to legislative service organizations?

This is the rule which prohibits Members' unofficial office accounts. Its premise is that only official funds should be expended for official representational purposes; or stated another way, abuses could arise if private interests were permitted to supplement official functions. Again, assuming the new regulations will be in place there would be no need to consider the application of this rule to LSO's.

Four. Should a group of Members acting as a legislative service organization be treated differently under the rules than a Member acting singly?

It is apparent from my observations to the above three questions that my own personal view is that this question should be answered in the negative.

I would urge you, however, to give consideration to the effective date of any new rules, guidelines or regulations on which you finally settle. Obviously, many existing LSO's will have to make accommodations if the proposal before you is enacted in substantially its present form. Surely, we will want to create minimum dislocation in making these changes and I would hope that you will allow sufficient time for all groups to adjust to this new environment.

I fully appreciate the complexity of the task you have undertaken in this study and I trust these observations will be helpful to you. If I can elaborate on any of the points I have made or answer any questions I will be very happy to.

[The statement of Mr. Stokes follows:]

STATEMENT OF HON. LOUIS STOKES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO, AND CHAIRMAN, COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT

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1. Does rule 43, clause 4, apply to legislative service organizations?

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2. Does rule 43, clause 7, apply to the fundraising activities of legislative service organizations?

The answer to this question becomes moot if the proposed regulations with respect to the receipt of income are adopted. The same logic as I have stated with respect to clause 4 is equally applicable here. I would observe however that to the extent LSO's may have income from the sale of publications, I would not view this as "fundraising" within the meaning of clause 7 and thus not subject to the rule.

3. Does rule 45, apply to legislative service organizations?

This is the rule which prohibits Members' unofficial office accounts. It's premise is that only official funds should be expended for official representational purposes, or stated another way, abuses could arise if private interests were permitted to supplement official functions. Again, assuming the new regulations will be in place there would be no need to consider the application of this rule to LSO's.

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I fully appreciate the complexity of the task you have undertaken in this study and I trust these observations will be helpful to you. If I can elaborate on any of the points I have made or answer any questions I will be very happy to.

Mr. RATCHFORD. If you know, for the record, has your committee received any formal complaints against the current LSO's?

Mr. STOKES. Mr Chairman, to my knowledge we have not received any.

Mr. RATCHFORD. Have there been informal inquiries as to the guidelines for LSO's and their standards of operation?

Mr. STOKES. We had one previous inquiry, Mr. Chairman, in 1980, which was a letter from Congressman Paul Simon to Congressman Bennett, who at that time was chairman of this committee. He posed the question with reference to LSO's and the chairman, Mr. Bennett, replied back to Mr. Thompson, who at that time was chairman of the House Administration Committee, but there was never any official interpretation made with reference to the question posed by Mr. Simon; that is the committee never undertook any official action.

Mr. RATCHFORD. So this is all new ground that is being plowed?

Mr. STOKES. That is correct.

Mr. RATCHFORD. Has this issue and has your letter been reviewed by the total committee, and does it reflect their point of view?

Mr. STOKES. We have not had an opportunity to call the full committee together on this matter. The interpretations I have given here this morning would be my own interpretations.

Mr. RATCHFORD. Finally, from my perspective, one, I applaud you for going on the record because I think it gives us a framework within which we can operate. No. 2, are you or your staff available to work with us in our attempts to develop further regulations in this area or at least to react to those regulations?

Mr. STOKES. Mr. Chairman, on behalf of myself and our committee and staff we would be more than pleased to work with your committee on this matter.

Mr. RATCHFORD. Thank you, Mr. Chairman. At this point I would yield to Mr. Lee.

Mr. LEE. Thank you, Mr. Chairman.

Congressman Stokes, thank you for your input, sir. Two quick points. There has been a condemnation in the BGA report in reference to the fact that many of the caucuses have used the term "congressional" on their letter mastheads. Do you concur with that condemnation? Is it appropriate? Inappropriate?

Mr. STOKES. It would seem to me that any group that has been certified by your committee as being a legitimate legislative service organization would then be entitled to the utilization of the term "congressional." That would seem to flow from accreditation by your committee.

Mr. LEE. Thank you. One last point. There has been some reference also to the use of the franking privilege. Do you think the caucuses or LSO's should have that privilege?

Mr. STOKES. Congressman Lee, I would think that that is a matter that should be given some consideration in light of the fact that if we recognize such caucuses as a part of the institution and thereby institutionalize them, that some consideration ought to be given in the area of franking.

Mr. LEE. Thank you, sir. I yield back, Mr. Chairman.

Mr. RATCHFORD. Mr. Swift.

Mr. SWIFT. I have no questions, but I want to thank the chairman very much. I think his testimony here has been enormously useful.

Mr. RATCHFORD. We thank you gentlemen, and we will be back in touch. I understand, Mr. Swift, you have a further question for Mr. Brunner.

Mr. SWIFT. I wonder if Mr. Brunner would take one more question on the record.

Mr. Brunner, throughout the day we have been getting a lot of advice but probably the most consistent thing has been whatever you do give us sufficient time to phase it in. In light of the fact that you have indicated that you don't see widespread current abuses but rather see a situation in which abuses can and probably would occur in the future, would you think that a relatively generous phasing time would be inappropriate in any way; and let me draw a specific to you, the beginning of the next Congress?

Mr. BRUNNER. That would be——

Mr. SWIFT. That would be a year. January, rather, 1983.

Mr. BRUNNER. I do think you are construing our position accurately. We are saying that the situation that we are looking at right now is that it is at a point on a road, that you have gone over a 10-year period and you are right here, and if you look at that road and you think what is the next thing that is going to happen, it is not really very good. I think your suggestion about a decent interval phasing time, we would not object to that. I think the fact you had acted in a strong manner to attack the problem would indicate that in the meantime you are not going to get that next evolutionary bad example, whatever it may be. I would think that the educational process that has occurred between us and the Congress and you and your committee would tend to stop that from happening. I think you are putting on the brakes and I don't think you would get that awful next step whatever that may be.

Mr. SWIFT. Thank you very much. I appreciate your comment.

Mr. RATCHFORD. We thank you again. May I state for the record that for those groups who have not appeared and testified that the record will remain open until October 6 for further testimony. For Members who wish to submit, obviously, we would entertain that also. We would thank staff for its heavy work in putting this hearing together in a very short period of time.

Before breaking, I would ask the three members of the panel, their staffs and the committee staff to meet with me briefly in the anteroom so we can discuss a timetable and where we go from here. On that note and thanking everybody, I declare the hearing adjourned. Thank you.

[The statements of Representatives Barnes, Brodhead, Frenzel, Michel, and Richmond follow:]

STATEMENT OF HON. MICHAEL D. BARNES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND, AND CHAIRMAN, FEDERAL GOVERNMENT SERVICE TASK FORCE

1. Would you support a proposal to prohibit legislative service organizations from receiving any outside funds, thereby restricting LSO's to monies derived from clerk-hire and from Members' dues?

Restrictions should be imposed that avoid all appearance of impropriety with respect to outside funding. However, a blanket limitation on all outside funds would disrupt many important activities conducted by the Federal Government Service Task Force. I would support any effort to fully disclose Task Force activities of every kind. In addition, I believe that limiting receipt of funds from a single source or group to a small percentage of total Task Force funding would be appropriate.

2. If such a regulation (limiting outside funds) were adopted, how would this impact on your organization?

It would likely require us to discontinue publication of our newsletter, and drop one of two full time staff upon which the Task Force relies. Loss of staff, in turn, would curtail other important Task Force activities which serve Members.

3. What is your view of the proposal to limit the outside funding of LSO's to a specified percentage of an organization's annual income?

As stated, the appearance of impropriety should be avoided by ensuring that no single group or funding source constitute a major source of Task Force income. Limiting outside funding to a minority share of Task Force income could also be readily accommodated, and, I believe, appropriate.

4. Currently, what is the approximate percentage of your funding derived from?

Clerkhire/official allowances: 75 percent share; newsletter subscriptions: 25 percent.

5. Should the present semiannual reporting requirement be replaced by a quarterly reporting requirement?

There is no reason why LSO's should not be subject to the same rigorous accounting requirements that Members must meet.

6. Would you support lowering the present $1000 threshold for disclosure of receipts and disbursements to $500.00? To $100.00?

The threshold should definitely be lowered to $500.00. A $100.00 requirement might utilize more staff time on bookkeeping than the purposes served might demand. I would have no problem with a $250.00 requirement.

7. Should LSO disclosure reports provide salary data on all LSO staff?

Reports should include all information on any staff employed on the payroll, either through clerk hire or an internal system of remuneration. Staff delegated from other agencies should also be reported, but volunteer staff need not be included.

8. Are there any aspects of the present disclosure requirements which you believe should be altered?

The most important changes, some of which we have discussed above, include disclosure of all significant funding sources, reporting of personnel performing routine functions other than those regularly employed by the Task Force, e.g., volunteers, delegated agency staff. There should also be some reporting of the kinds of products Task Forces produce for their Members and the general public.

9. If restrictions on outside funding are imposed on the LSO's, several of the caucuses which, because of a limited membership base, may be negatively affected. Are there any exceptions which should be accorded to such groups if outside funding is restricted or eliminated?

The elimination of outside funding would hurt the Membership base of almost all groups by virtue of the fact that internal House funds would be more difficult for all groups to obtain. Groups with charters limiting their Membership such as the CBC and the Hispanic Caucus may be forced to maintain skeleton organizations off the Hill while seeking major funding sources for an off the Hill organization. This would not serve the purpose of tighter regulation of LSO's or the purposes of these important caucuses. However, from the standpoint of equity, any exceptions available to such groups would have to be based upon a criteria that afforded benefits to all groups.

10. Should legislative support organizations be allowed to accept in-kind support (internships, hosted conferences, independent research work) from sources outside of the Congress?

Because LSO's are extensions of Members' offices, I do not see how the in-flow of information to caucuses could be legally restricted. Any citizen may seek redress from their government and communicate directly with Members of Congress. Federal employees are afforded the right explicitly by statute. Interns, both student and executive, provide our Task Force with vital support. While I agree that it would be inappropriate for agencies or groups to attempt to place interns with caucuses, my experience has been that interns accepted by the Task Force have been individuals seeking to further their experience and careers. Further, the brevity of an intern's tenure is such that it is highly unlikely that he or she could influence the work or direction of the Task Force in any way. With respect to Conferences, however, I do believe that the Subcommittee should develop either criteria or clearance procedures for hosted Conferences to ensure that these events serve informational rather than fund raising purposes.

11. Has your organization ever accepted in-kind services in the past?

We have accepted independent research, which we requested from HAY Associates. We have been flooded with research papers, studies, and documents of all description from innumerable sources. This is consistent with our function as an information clearinghouse. We have employed, without pay, student interns from Georgetown University's congressional internship program. One executive working for the GSA requested an internship with the Task Force. He was delegated to us, from the GSA, for three months.

STATEMENT OF HON. WILLIAM M. BRODHEAD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN, AND CHAIRMAN, DEMOCRATIC STUDY GROUP

Mr. Chairman, Members of the Subcommittee, thank you for the opportunity to present our views regarding regulation of legislative service organizations.

Before responding to the questions you have asked, I would like to make a few points regarding the Democratic Study Group.

DSG is a legislative research and coordinating organization operated by and for Democratic Members of the House of Representatives. In accord with its bylaws, DSG is "organized, operated and financed in accord with applicable rules and regulations of the House of Representatives."

DSG is the oldest such caucus in the House. It began as an informal alliance of like-minded Members in the mid-1950s and was formally organized in 1959.

DSG is not now and never has been incorporated under the laws of the District of Columbia or any other state and does not hold any tax exempt status under the Internal Revenue Code.

DSG is totally financed by Members of the House through dues of $200 per year, a research fee of $2,000 per year and voluntary pooling of clerk-hire.

DSG's primary role is that of a research service. More than 90 percent of all DSG staff work is related to the preparation and production of legislative research materials for use by DSG Members and their staffs.

DSG has become the primary source of legislative and issue information for virtually all Democratic Members and several Republican Members of the House. In 1980, DSG provided Members with some 300 reports on legislation, major issues and other matters, plus summaries of the nearly 600 votes on which Members were recorded during the year. DSG's legislative research is designed to brief—not lobby—Members on legislation on which they must vote.

Because of the dramatic increase in the legislative workload in recent years, particularly the number of votes Members must cast, research of the type provided by DSG has become essential to Members in the performance of their official duties. In 1977, for example, a survey conducted by the House Commission on Administrative Review found that 75 percent of the Democratic Members considered DSG "the most important" source of information relating to legislation on which they have to vote, while an additional 17 percent considered DSG "one of the most important" sources of such information.

DSG research services are not supplemental, they are basic. Thus, should such services not be available through DSG, they would have to be provided through some other means. Members would either have to use their own staff to provide such information, or the House would have to appropriate additional funds to replace DSG with a comparable entity.

DSG is organized and operated solely for the benefit of Members and the House itself. The group does not represent any outside interest, economic or otherwise, nor does it promote any particular interest within the House. DSG does however serve as a coordinating organization on behalf of the common legislative objectives of DSG Members.

In short, DSG is an integral part of the House of Representatives. It is totally a creature of the Members of the House, it is totally supported by House Members who use its research services, it provides services which are essential to Members in the performance of their official duties, it does not represent or promote any particular interest, and it has no status other than as an entity of the House.

RESPONSES TO QUESTIONS

The following comments are in respnse to the questions raised in your letter of September 24:

Funding of legislative service organizations

In view of the explicitness of House Rule 43, clause 4 which prohibits Members from accepting gifts in excess of $100 per year from any person or entity with a direct interest in legislation, and in view of the absence of any authority to the contrary with respect to legislative service organizations, DSG has assumed that Rule 43, clause 4 applies to caucuses as well as to individual Members. We do not see how a Member or a group of Members who constitute themselves as a caucus can do what they are prohibited from doing as individuals—unless there is specific authority to do so.

DSG therefore ceased taking outside contributions after adoption of Rule 43 in 1977 and is currently sustained totally through Members' clerk-hire and official expenses allowances. We do receive subscription payments from persons outside the

House who receive DSG publications, but such payments only offset the cost of providing copies of DSG research to outside recipients.

As a result, the proposed prohibition against outside funding would have no impact on DSG and we have no position either for or against such funding. We would suggest, however, that if outside funding is authorized, that it be limited to not more than 50 percent of a group's total income in any year, that there be a limit placed on the amount which may be received from any individual or organization, and that there be full disclosure of all such income.

In terms of DSG's total annual income, 6 percent comes from outside subscriptions, 24 percent comes from Members' clerk-hire, and 70 percent from Members' official expenses allowances in the form of dues and research fees.

Disclosure requirements

The disclosure requirements contained in the Committee staff's proposed regulation are excellent. They protect the public interest by providing full financial disclosure without imposing unnecessary or duplicative reporting reqirements. We urge they be enacted without change.

Membership

We cannot respond to your question whether exceptions should be accorded to groups with a limited membership base without more information on the type of exceptions envisioned.

In-kind services

With respect to research work provided by persons other than employees of an LSO, the Committee staff has taken the right approach by requiring disclosure both on the product itself and in the quarterly report. The same approach could also be applied to hosted conferences, however, we question whether it would be appropriate with respect to personnel.

As for DSG, we do not and have not accepted in-kind contributions or services of any kind.

Institutes

DSG does not maintain a research institute.

Publications

As indicated previously, DSG does receive payments from persons outside the House who wish to receive DSG publications. However, such subscription fees are designed only to cover the cost of producing extra copies of DSG reports and mailing them to persons outside the House. Whatever regulation is adopted should contain authority to continue this practice since it does not result in a profit or net gain, and therefore does not constitute a contribution or support by non-congressional sources.

Miscellaneous

Regarding the location of DSG offices, it would not be possible for DSG to provide the level of services it currently provides were our offices not located inside the House with easy access to Members and legislative activities. This fact was recognized in 1975 when some 184 Members signed a letter stating that DSG services are "basic and essential" to them in the performance of their official duties and should not be jeopardized by relocating DSG offices to one of the annex office buildings.

DSG would have no difficulty complying with the January 1, 1982 effective date of the proposed regulation.

The practice of Executive agencies providing grants to legislative service organizations is fraught with problems and dangers and either should be carefully controlled to assure fairness and lack of political favoritism or prohibited altogether.

CONCLUSION

Finally, I would like to stress the importance of avoiding overregulation of caucuses. Overall, caucuses have acted responsibly and have strengthened both the House and its Members. The problems brought to light by the BGA investigation clearly result from lack of guidelines and of standards. The proposed regulation sets forth for the first time a set of standards to guide caucuses in their operations, and provides that those caucuses which meet the standards shall—not may—be certified as legislative service organizations.

This is the proper approach. It assures accountability while at the same time preserving the independence caucuses need to effectively serve their members.

This is particularly important with respect to an information service such as DSG. The fact that DSG is primarily responsible to the Members who support it and rely on it for balanced and unbiased information, assures the integrity of DSG research.

We therefore urge the Committee to approve the mandatory or automatic certification provision contained in the regulation as initially proposed. If a caucus meets the standards set forth, it should not be subject to possible denial of certification unless its existence would be clearly detrimental to the House.

Thank you for your consideration.

STATEMENT OF HON. BILL FRENZEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to submit testimony regarding proposed revisions to the regulations which govern Legislative Service Organizations. Despite the adoption of LSO regulations by the Committee on House Administration in 1979, it has become increasingly evident that more stringent curbs are necessary.

Since the mid-1970's, we have all witnessed a significant proliferation of these groups. No one discounts the contributions many of these caucuses offer to the legislative process—in terms of research, the articulation of issues, and expanded forms of representation.

Yet, serious questions have been raised as to their activities—questions which have been underscored by the findings of the recent report of the Better Government Association. The BGA study, in my judgment, is a good one. In a careful and non-inflammatory manner, it illustrates that the conduct of several LSO's—even though not proscribed by regulation—is simply antithetical to the rules we have adopted concerning the conduct of individual Members.

The BGA report documents the aggressive solicitation of outside funds by several LSO's. This activity seems to be in obvious conflict with Rule XLIII which limits gifts to Members from any person having a direct interest in legislation before Congress to under $100. Further, the merging, by LSO's, of outside monies with funds secured through congressional allowances contravenes the spirit, if not the letter, of Rule XLV which prohibits unofficial office accounts. As you know, I had the privilege of serving on the Commission on Administration Review and, subsequently, on the Select Committee on Ethics. One of our primary initiatives was the elimination of all unofficial office accounts. Although, at that time, I was not wholly convinced that it was necessary to kill all "slush" funds, we made that decision. Having done so, it is difficult to accept a state of affairs which permits Members to do jointly—through the artifice of an LSO—what our Rules forbid Members to do individually.

Through LSO's, we have, in effect, allowed certain outsiders preferential access to the legislative process. In several cases, lobbying organizations have become congressional caucuses—enjoying the benefits of a Hill address and the dividends of congressional allowances. The fundraising techniques employed and the reliance on industry-oriented advisory boards only give credence to the allegations that some caucuses are but conduits for special interests. I stoutly defend constitutional lobbying guarantees, but I do not believe that lobbying groups should be allowed to clothe themselves in the mantle of LSO's.

Allowing such conduct probably appears inappropriate to a majority of our constituents. It does to me.

I think your Subcommittee confronts two possible choices. Either eliminate all Legislative Service Organizations—by denying them staff, space, and access to congressional allowances—or take a less extreme approach and insist on harmonizing group rules to individual rules. In the latter case, which I would recommend, the receipt of any outside contributions would render a group ineligible for any legislatively funded support whatsoever. Simply put, those groups wishing to retain LSO status and residency on the Hill could receive financial support only from congressional allowances and Members' dues.

Further, I would recommend that LSO's also be prohibited from receiving any in-kind support from outside organizations. The only justifiable exception I could foresee might be the sponsorship of internship programs by educational institutions or professional associations. As a result of restricting LSO's income to congressional sources, LSO's would be treated in the same manner and fashion as are Members. No longer would an inconsistent application of our ethics provisions be tolerated.

Perhaps these suggestions appear harsh. Yet I am convinced that most LSO's would be able to adhere to such standards without significant difficulties. Even now, several—including the Democratic Study Group and the House Wednesday Group—

basically conform to similar guidelines. Indeed, many LSO's would probably welcome a clarification of regulations and an end to the ambiguities now associated with their status.

I would also support instituting more accountable disclosure requirements. Currently, the reports submitted do not provide sufficient data on the organizational or financial operation of LSO's. LSO's should make the same reports on expenditures of public funds as committees or Members do. At the least, they should: report on a quarterly basis, report all expenditures (aggregating expenses of under $100 in appropriate categories) and disclose the source and use of clerk-hire funds.

However, please don't overdo the disclosure. Too often we seem inclined to impose reporting standards which are unnecessarily burdensome and overly detailed. The best rule of thumb would be to demand of the LSO's information comparable to what we demand of Members and Committees. I would want to avoid the situation mandated by sections of the election law—where we publish so much disclosure material for the FEC that no can ever read it, much less understand it.

I have had an opportunity to review the objections raised by various LSO's to the draft of proposed revisions circulated last month and would like to offer some brief comments. With respect to the complaints of LSO's, any softening of the draft regulations is surrender. For example, the Black Caucus states, in its letter to House Administration, that the proposed regulations prohibiting outside income are discriminatory, as they would adversely affect the smaller caucuses. Understandably, small membership caucuses with agendas primarily funded by outside sources will be obligated to make some hard decisions if such regulations were adopted. But, in general, I believe the Black Caucus complaint has little merit—for, in the past, it has rejected efforts by other Members to join. Its present size reflects a conscious organizational choice and probably could be enlarged if the Caucus so wished.

At least one caucus has suggested that outside funding be limited to a specific proportion of total operating expenses. I think such an alternative would be unworkable—obviously it would be difficult to determine what is an acceptable percentage. But more importantly, allowing the continued infusion of outside money would thwart our efforts to reform the current morass of LSO funding.

The Northeast-Midwest Congressional Coalition has advanced the argument that independent research organizations be permitted to remain in House office space. It is my personal view that the independence of such caucus-related institutes is probably a fiction. Whatever, I think it inappropriate to allow any such privately-funded organization to remain housed on the Hill.

Even more disturbing was the recommendation of the Congressional Clearinghouse on the Future that a separate allowance for office expenses be allocated to LSO's (the Clearinghouse indicated that such an allotment might equal the aggregate of $5,000 per staff member). We are already spending too much on ourselves. Also, such a proposal ignores political reality. It is inconceivable that any such increase would pass the House. More critically, to establish the precedent of independent funding and status for LSO's, at least in my view, would only foster serious institutional repercussions. LSO's would acquire an enhanced capability to compete with standing committees, further fragmenting the policy process. Even now, LSO's can be a destabilizing factor, often operating in direct conflict with Leadership and party positions.

In the past, LSO's have utilized subscription lists for their publications as a means of building outside constituencies of support. One of the regulations presented in the September staff draft would allow LSO's to receive payments for their reports from outside subscribers, but such payments could not exceed the cost of postage. Several LSO's have recommended that the regulation be amended to permit them to recoup production costs as well. Although I doubt that the situation would arise where LSO's might attempt to secure supplementary income under the guise of subscription payments, I believe it would be hard to calculate an accurate estimate of publication costs. However, at this point, I do not believe that LSO's should be able to charge at all for subscriptions, not even to obtain reimbursement for postage. LSO reports ought to be for Members, not for promotion of the LSO. If LSO's wish to distribute copies, then the printing and mailing expenses should be financed by the funds provided by their membership. Additionally, some attention should be directed to the use of the frank by these organizations—with appropriate restrictions imposed.

The BGA report also indicated that several LSO's employ congressional identification or symbols in their fundraising activities. No such groups should be allowed to raise funds in the name of Congress—it is a practice which is deceptive, and contrary to the spirit of Rule XLIII, clause 11. In this regard also, LSO's should be subject to the same standards that apply to House Members. And, if Members reconstitute their caucuses as private organizations, the strictures of Rule XLIII should apply.

It may be questioned whether a revision of the regulations is of immediate necessity. Granted, nowhere is there evidence that LSO's have improperly utilized the monies generated from outside sources. Yet the appearance of impropriety associated with LSO fundraising exists, while the potential for improper conduct remains. I believe we have a responsibility to the House and to our constituents to implement reforms now and not be in the position of offering corrective measures in the aftermath of some future scandal.

I believe that your Subcommittee's assignment is very important. I hope you will not allow the staff's good beginning to be diluted.

STATEMENT OF HON. ROBERT H. MICHEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman and Members of the Ad hoc Subcommittee: I would like to thank you for two reasons. first, for this opportunity to present a statement and, second, for your interest and efforts to help restore to the House of Representatives the spirit of representative government that is the cornerstone of our legislative system.

It is a fundamental truism, but let us all remember that we were elected to represent the people in our Congressional districts—not the Executive or Judicial branches of the Federal Government, not business, labor or religions, and not the contributors, partons and sponsors of the dozens of special interest and narrow "Legislative Support Organizations."

There is not the slightest doubt in my mind that the recent spectacular growth of the caucuses, groups, ad-hoc and semi-legislative entities that have sprouted up throughout the House are diffusing, denigrating and even in some cases destroying the legitimate Constitutional functions of the House, its leadership and its Committees.

Under our Constitution, it is every citizen's right to petition his or her Congress for the redress of wrongs, or for the acquisition of legal rights, but that Constitutional guarantee does not extend to the granting of office space, staff, telephone services and parking spaces, courtesy of the American taxpayer.

There is, in my opinion, no valid reason why these "extra-legislative" organizations should feel they have a right to be quartered and fed here in the official home of the House.

When I began my House service, LSO's were unknown, but these groups have grown in number, size and influence during the past decade. I believe they have grown not so much as a deliberate attempt to undermine the traditional organization of the House, but rather as a reflection of the recent historical trend in the House to take power away from the Committees, the Committee Chairman and the Leadership of both parties.

As these LSO's developed, they soon discovered that a group or a caucus could do things that individual Members were precluded from doing. Rule 43, clause 4, for example, provides that a Member, officer, or employee of the House shall not accept gifts . . . in any calendar year aggregating $100 in value, directly or indirectly, from any person . . . having a direct interest in legislation before the Congress.

Rule 45 also carries the prohibition that unofficial office accounts are inappropriate for Members of the House.

Yet experience has shown that some caucuses have large sums of money on deposit and it has been reported that contributions to certain caucuses have freely flowed from Executive branch agencies and even from foreign governments.

In other words, the caucuses have, in the absence of clear cut guidelines, been able to do what individual Members of the House have been prohibited from doing.

At the same time, the caucuses and other groups have been developing staff expertise, using the research facilities of the House, the Library of Congress, CBO, OTA, and other offices to compile and, in many ways, effectively lobby legislation that suited their parochial interest.

In this regard, I would like to submit for the Record an article by the late Jerry Landauer who died shortly after his article was published in the Wall Street Journal, February 19, 1981. Mr. Landauer described the activities of the Tourist Caucus founded by our former colleague, Mr. Jenrette. The fruits of this caucus can now be observed in H.R. 1311 (S. 304), a bill which is now awaiting Presidential approval, . . . or disapproval.

I contend that these groups supplant and compete with the legitimate legislative process. They fragment the power of the Leadership. Some LSO's, for example, even have "Whip" organizations that duplicate and compete with the official party organizations in the House. They duplicate and compete with the several Committees, as can be seen by the Landauer article. While they perform legislative functions that may be "good" or "bad" in the eyes of some, I submit they are not consistent with an independent and representative public body that our Constitution calls for.

Therefore, I believe the time is ripe to make some changes. I would like, therefore, to propose four ways that I feel this problem can be handled:

1. Funding rules should be tightened. The LSO's in my opinion, should be prohibited from receiving outside funding as long as they insist on existing within the framework of the House. If outside financing of lobbying activity is desired, it should be done outside the physical plant occupied by the House, and it should be separate from the Membership and staff of the House.

Thus, if a caucus functions as a House entity, it should depend entirely on Members' allowances, clerk hire, and dues.

I believe the Subcommittee should also examine carefully the ratio of staff to Members using the clerk-hire device, so that people hired to serve a Member and his or her district are not used for totally unrelated duties.

2. There should be full disclosure of LSO activities. Each Committee of the House, each Member and each Leadership office must now exist in a public "fish bowl." All of our expenditures, travel, staff salaries and even our personal finances are a matter of public record. Why, then, should not the LSO's be subject to the same penetrating analysis by friends and foes, by the press and by the public?

There should indeed be periodic reporting. I would suggest quarterly reports, as is the case now for everyone else, and all expenditures should be reported to the Clerk of the House for periodic publication, again just as is the case for the rest of the House.

I would also specifically suggest that clerk hire information be specifically designated, so all can see who is working for whom, on what and where . . . and why.

3. "In kind" services should be restricted. Contributions of property or services and entertainment is as much a gift or donation as cash. I recommend the same treatment for these transactions as I recommended earlier for funding and disclosure rules.

I hope the Subcommittee will recognize, however, the special situation revolving around students and interns who come to study and learn about the Congressional process. Volunteer or scholarship service should, I feel, receive special consideration, but it should be designed to bring benefit to the parent agency of government or the academic discipline from which the participating intern, student or scholar comes.

4. Rules on publications should be tightened. Many LSO's send out (and, in some cases, charge for) various publications. In some instances, a Member's frank is used. In all instances, these publications give the impression of an "official" Congressional presence. I believe this practice should be changed.

Franking of caucus materials should stop. Full postage should be paid on all mail distributed outside the Congress by the LSO's.

While I realize that some of these groups now depend on subscriptions to their publications for their existence, I would hope that the Subcommittee would seriously consider restricting sales if printed by the LSO's. After all, the contents of these documents comes almost exclusively from information provided internally by the Congress and its traditional research and informational support units. Why, I would ask, should the public pay again for material it has already paid for once?

Except for the recovery of postage and printing costs, the subscription device is basically a method of funding which, I feel, should come within the scope of my earlier recommendations.

In summary, Mr. Chairman, St. Thomas Aquinas was said to have described good law as being composed of four elements: statutes of reason—based on the common good—understood by those affected—and enacted by those who have legitimate authority to legislate.

It is in that fourth element, the legitimate authority to legislate, that I ask your Subcommittee to concentrate its efforts. It is the House and its Members and its statutory support system that have the legitimate Constitutional authority to legislate.

That is why I hope you will tighten funding, provide open disclosure, restrict "in kind" contributions, and carefully delineate publication activities of the LSO's, so we can all be about our Constitutional business in this, the greatest legislative body in the world.

[From the Wall Street Journal, Feb. 19, 1981]

TRAVEL CAUCUS RIDES IN STYLE ON CAPITOL HILL

(By Jerry Landauer)

WASHINGTON.—It's a lobbyist's dream. Rent-free space on Capitol Hill, a fat budget, and an organization whose roster includes half the members of the House of Representatives.

These are the delightful facts of life of the U.S. Congressional Travel and Tourism Caucus. With an impressive letterhead bearing the spread-eagled official House seal, and with offices in a House Office Building annex, the caucus has some of the outward trappings of a congressional committee. But it is something else.

The Travel and Tourism Caucus is a "legislative service organization," one of several such informal Capitol Hill groups organized around a common interest of its congressional members. Customarily, LSO's have been politically inclined. Examples are the liberal-leaning House Democratic Study Group, the Republican Wednesday Group, and the Congressional Black Caucus.

HELPING INDUSTRY

But lately, caucuses have formed to help industry. There are LSO's to push solar energy, promote shipbuilding, protect textiles, and defend the steel industry. Perhaps a dozen LSO's of all types are sheltered on Capitol Hill, and the industry caucuses allow business people to literally get their foot in the door of Congress—and at taxpayers' expense.

All the business caucuses operate from House office space. The rent is free, and the government pays the utilities. Capitol police shoo nosy visitors away. House rules permit caucus members to dip into their congressional allowances to hire staff for the caucus and pay other expenses.

One big reason for the emergence of some caucuses as lusty spokesmen for business is money. Corporations can't contribute to a Congressman's election campaign, or give cash to a congressional committee; the mere offer of cash could constitute bribery. But some clever folks discovered that there isn't any prohibition on corporate giving to congressional caucuses. In fact, it's tax deductible.

The Travel and Tourism Caucus, headed by Democratic Rep. James Santini of Nevada; has made the most of this situation. Founded in 1979, it boasts of being "the largest caucus in the history of Capitol Hill." More than half the 435 House members belong; most cite the importance of tourism in their districts as the reason.

LOTS OF DONORS

Nor has the travel caucus had trouble in attracting corporate support. Donors to the caucus's treasury include such companies as American Airlines Inc., Holiday Inns Inc., Sheraton Corp., Resorts International Inc., Howard Johnson Co., and Opryland USA. At least one union, representing hotel and restaurant workers, also chips in.

The caucus imposes an annual $1,000 limit per donor to avoid the appearance of undue influence, says Douglas Wendel, executive director. Even with the donor ceiling, the caucus is flush with cash. A fund-raising dinner last month grossed $180,000. The caucus has a sizable securities account at Merrill Lynch, Pierce, Fenner & Smith.

Besides giving cash, the travel industry supplies the caucus with a 35-member advisory board. The caucus testifies before congressional committees, pesters bureaucrats, fights restrictions on billboard advertising near federal highways, and works to keep tax deductions for convention-goers.

Mr. Wendel disputes suggestions that the Travel and Tourism Caucus is a government-supported lobby. "We provide data and information for our members," he says. "No one before has ever addressed this industry as a major segment of the American economy. If you interpret that as lobbying, that's your business.

TOUTING VICTORIES

Lobby or not, the caucus wields political clout. On a list of 24 "accomplishments," the caucus claims to have protected the travel industry against a revival of Jimmy Carter's threatened crackdown on the "three-martini lunch." It also takes credit for pushing the National Tourism Policy Act through Congress late last year.

That law would have set up an independent federal tourist-promotion agency, relatively immune from budget-cutting. The administrator would be paid as much as the director of the Central Intelligence Agency. President Carter let the legislation die by pocket veto in December.

Now the caucus is testing President Reagan's vow to reduce government bureaucracy. The tourist-agency bill has been resurrected and the Republican-controlled Senate recently passed it overwhelmingly by voice vote. There is some opposition in the House. Democratic Rep. Patricia Schroeder of Colorado, for one, objects to subsidizing a "thriving" industry. But the travel caucus is confident it can move the bill to Mr. Reagan's desk with votes to spare.

STATEMENT OF HON. FRED RICHMOND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK, AND CHAIRMAN, CONGRESSIONAL ARTS CAUCUS

As Chairman of the Congressional Arts Caucus, I am pleased to have the opportunity to submit comments concerning the proposed guidelines for legislative service organizations (LSO's). Since the number and size of LSO's have increased rapidly over the last few years, regulations are clearly needed.

The rising number of governmental issues and their growing complexity have caused Members of Congress to seek additional means of collecting information and analyzing data. Individual Congressional staffs often do not have the time and resources necessary to focus in depth on one particular issue. In response to this vital need, caucuses have become a reliable, necessary part of the legislative process. Their existence gives Members of Congress who share a particular concern, the means to pursue in-depth research and analysis.

Since its formal establishment in April of 1981, the Congressional Arts Caucus has provided its Members (now over 150) with up-to-date information concerning the funding status of federal arts programs as well as legislation affecting the arts. Obviously, with a membership of over one-third of the House, the Caucus fills a need for information and guidance on issues of importance to the arts.

Weekly updates, monthly legislative reports, and fact sheets are prepared by the Caucus which monitors nearly fifty federal arts programs and has identified over 100 bills and resolutions affecting artists, arts institutions, and contributors to the arts. No regular Congressional office staff has the time or resources to maintain current information on programs of that magnitude. Members of the Arts Caucus now understand arts issues to a greater extent and can better serve the large arts constituency in their Districts.

In order to allow the Arts Caucus and all other LSO's to continue to function, regulations are needed. While these final regulations might call for certain modifications in the operations of caucuses, none should be so severe as to prevent these organizations from functioning. One of the major concerns of caucuses has been the difficulty of obtaining clerk-hire funds. With increased Members' office expenses and the growth in the number of caucuses, clerk-hire becomes scarcer each year. The Committee should consider allowing outside contributions, but establishing a ratio determining the maximum proportion of a caucus' total operating expenses and salaries that may be paid from outside sources. An excellent brief discussion of this problem prepared by the Arts Caucus staff is attached. I would appreciate that statement being included in the record as well. [The aforementioned statement appears on p. 141.]

I support the efforts of the Committee to establish guidelines and will assist our Executive Board in monitoring the activities of the Congressional Arts Caucus to assure compliance with the final regulations.

[Whereupon, at 3:35 p.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.]

LETTER OF INVITATION TO LEGISLATIVE SERVICE ORGANIZATIONS

House of Representatives,
Committee on House Administration,
Washington, D.C., September 24, 1981.

Hon. Chairman ——,
House of Representatives, Washington, D.C.

Dear Chairman ——: On September 22, the Committee on House Administration established an ad hoc subcommittee to evaluate the regulations currently applicable to Legislative Service Organizations and to report back with recommendations by October 19.

As Chairman of the Ad Hoc Subcommittee, I am writing to invite you to testify at a hearing scheduled for Thursday, October 1, at 9:30 A.M. in Room 2118 of the Rayburn House Office Building. The hearing will review the present status of Legislative Service Organizations and explore suggestions concerning a revision of present regulations. I have attached a listing of several questions which I hope you would be willing to address in your presentation.

Should you be unable to attend next Thursday's hearing. I would greatly appreciate if you would consider submitting testimony for the public record. The question of revising LSO regulations is a complex one; I know that as Chairman of the —— ——, you would provide the Subcommittee with valuable recommendations in this regard.

I would be particularly interested if your organization, in concert with one or more of such ad hoc groups, might be able to offer a framework of suggestions on this subject.

Fifty copies of your prepared statement should be delivered to the Committee on House Administration, Room H-326, U.S. Capitol by noon Wednesday, September 30. In order to ensure a maximum exchange with Members of the Subcommittee, I am requesting that initial oral remarks not exceed ten minutes.

If you have any questions concerning the hearings, please contact Ruby Hopkins of the Committee on House Administration at 225-2061. On behalf of the Subcommittee, I look forward to the benefit of your views.

With kind personal regards,

Sincerely,

William R. Ratchford,
Chairman, Ad hoc Subcommittee on Legislative Service Organizations.

(Attachment.)

FUNDING OF LEGISLATIVE SERVICE ORGANIZATIONS

Would you support a proposal to prohibit legislative service organizations from receiving any outside funds, thereby restricting LSO's to monies derived from clerk-hire and from Members' dues?

If such a regulation were adopted, how would this impact on your organization?

What is your view of the proposal to limit the outside funding of LSO's to a specified percentage of an organization's annual income?

Currently, what is the approximate percentage of your funding derived from: clerk-hire/official allowances? subscriptions to your publications? Members' dues? outside funds?

DISCLOSURE REQUIREMENTS

Should the present semiannual reporting requirement be replaced by a quarterly reporting requirement?

Would you support lowering the present $1,000 threshold for disclosure of receipts and disbursements to $500? $100?

In your opinion, should disclosure reports provide salary data on all LSO staff?

Are there any aspects of the present disclosure requirements which you believe should be altered?

MEMBERSHIP

If restrictions on outside funding are imposed on the legislative service organizations, several of the caucuses which, because of a limited membership base, may be negatively affected. Are there any exceptions which should be accorded to such groups if outside funding is restricted or eliminated?

IN-KIND SERVICES

Should legislative service organizations be allowed to accept in-kind support (internships, hosted conferences, independent research work) from sources outside of Congress?

Has your organization ever accepted such in-kind services in the past?

If in-kind services are accepted, should regulations require that all such services be so indicated in the disclosure reports?

INSTITUTES

Do you maintain a research institute?

If so, to what degree is there a sharing of staff and facilities between your organization and the affiliated institute?

PUBLICATIONS

Do you presently maintain an outside mailing list for your publications? Is a set subscription fee charged for receipt of your publications?

What is your view of a regulation which would restrict LSO's to recovering only mailing costs from publications sent to non-congressional groups or individuals?

Would it be preferable to allow such LSO's to recoup publication as well as mailing costs? What would you consider to be an appropriate definition of "publication cost"?

MISCELLANEOUS

What benefits do you associate with your organization being located on the Hill?

If only those organizations which are exclusively funded from congressional sources were permitted to remain in congressional space, how would this impact on your group?

If regulations were adopted limiting or prohibiting outside income, would your organization be able to comply if the effective date were set as January 1, 1982?

Should LSO's be prohibited from receiving grants from executive departments?

CONGRESSIONAL TRAVEL AND TOURISM CAUCUS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, D.C., October 6, 1981.

Hon. WILLIAM R. RATCHFORD,
Chairman, Ad hoc Subcommitttee on Legislative Service Organizations, Committee on House Administration, House of Representatives, Washington, D.C.

DEAR CHAIRMAN RATCHFORD: In accordance with your request of September 24, 1981, I am pleased as Chairman of the Travel and Tourism Caucus to submit the attached responses to the questions which the Ad Hoc Subcommittee on Legislative Service Organizations will be addressing. Unfortunately, commitments made prior to my receipt of your letter on September 25 have prevented my presenting these remarks in person and participating, in what I am sure was a very useful exchange of information and views about the activities of LSO's, such as our Caucus, and the framework for suggested changes in their regulation by the House Administration Committee.

While the responses accompanying this letter are intended to address the specific questions the Subcommittee has raised, I would like to offer some broader observations and suggested ideas which might be considered as the Subcommittee's work proceeds. These more general remarks reflect our experience with the Travel and Tourism Caucus, and thus may not be applicable to the activities and programs of other LSO's presently active in the House.

First, no Member needs to be reminded of the extraordinary volume and complexity of legislation and Administrative initiatives today as compared to even five years ago. Hopefully, this explosion of Federal activity will subside in the coming years. Nevertheless, the legislative process imposes a significant responsibiltiy on Members to obtain as much information and as many views as each can to facilitate informed and balanced decision-making. In this regard, an LSO or caucus can perform a very useful function in providing a forum, organized and controlled by Members, to exchange views on issues of mutual interest and develop legislatively meaningful research material that will inform fellow colleagues. An efficiently administered caucus can thus provide an invaluable service to its participants on a timely basis.

Second, a properly structured caucus does not permit any individual Member to dictate programs or expenditures. This might suggest a difference between the financial operations of a group caucus and the concerns prompting adoption of Rule SLIII (Clause 4) (Code of Official Conduct) and Rule XLV (Prohibition of Unofficial Office Accounts) which appear more directed toward the receipt of outside funds and maintenance of unofficial accounts by a Member for his or her unrestricted individual or personal use. Moreover, attention might be given as to whether the benefits a Member receives by participation in a caucus are in the nature of a "gift" as contemplated under Rule XLIII (clause 4), or relate instead to a fact-finding function bearing a direct relationship to the Member's official duties. (See Advisory Opinion No. 8 in the Members Ethics Manual)

Additionally every Member of Congress during the course of his or her legislative duties receives and reads reports from all different kinds of organizations outside Congress. Many of these may well be worth far more than the gift limit established under the House Code of Ethics, if one were to compute the pro rata share of the costs of research and writing such a publication. Yet the flow of such information is critical to the process, and so long as we know who or what group is sponsoring the study, it allows us to put it in context or ignore it altogether.

These general observations may suggest that, in the context of LSO's, appropriate changes in their regulation should concern the need for more detailed and thorough disclosure of the financial activities of each caucus, the identification of non-Congressional sources of funds, and the strict separation of accounts, as much as the need to foreclose private donations of any amount altogether. As a result we have submitted the following:

Although the Travel and Tourism Caucus is not requesting the suggestions outlined below be considered as panaceas to the legitimate concerns of the Ad hoc Subcommittee we do believe they provide some reasonable options that may assist you in accomplishing your objectives.

New regulations could be established setting a cap on any LSO budget (e.g., the average amount budgeted for each Congressional office)

An added limitation could also be included to ensure that private funds not exceed a given percentage of the LSO budget (e.g., 50 percent)

The amount any one individual or corporation may contribute to support the LSO could also be restricted to ensure they do not exceed the $100 gift limit each year

LSO accounts could also be required to be separately maintained as between Congressional and non-Congressional funds

More frequent and comprehensive disclosure reports could also be required. (Reports which would more clearly reveal the LSO's financial activities.)

In the event the Subcommittee concludes that LSO's should not receive funds from any non-Congressional sources, there would remain the issue regarding what type of relationship should properly exist between a caucus and outside research organizations. In this respect, we think any regulations must carefully avoid interfering in the bona fide functions of public and private organizations, of whatever persuasions, in communicating with Members on issues of public policy.

In closing, let me reiterate the Travel and Tourism Caucus' support for the Subcommittee's efforts, and our readiness to comply with whatever new regulations may be adopted by the full Committee. I hope these responses are helpful. Should you have any questions or require additional information do not hesitate to contact me or the Caucus' Executive Director, Doug Wendel at extension 5-3935.

With best personal regards.

Sincerely,

JAMES D. SANTINI, *Chairman.*

(Attachment.)

TRAVEL AND TOURISM CAUCUS' RESPONSES TO QUESTIONS CONTAINED IN LETTER OF SEPTEMBER 24, 1981

1. (a) Would you support a proposal to prohibit legislative service organizations from receiving any outside funds, thereby restricting LSO's to monies derived from clerk hire and from Members' dues?

Response: If after the Committee on House Administration has closely studied the funding of LSO's it feels this is in the best interest of the Congress, the Travel and Tourism Caucus would support such a proposal.

1. (b) If such a regulation were adopted, how would this impact on your organization?

Response: The Caucus would be required to make substantial adjustments in financing the Caucus' operational expenses or dramatically restrict services rendered its members. The Caucus would have to either have massive increased in dues and/or require considerable commitments in clerk hire funds and/or reduce its operational expenses and/or services provided to its members. Any combination of the above would have to occur for the Caucus to exist without outside funds.

This restriction would also probably result in decreased membership since some members could not afford the increased dues and/or clerk hire funds or would be dissatisfied with the reduced services the Caucus offered.

2. What is your view of the proposal to limit the outside funding of LSO's to a specified percentage of an organization's annual income?

Response: This would obviously restrict the amount of outside funds an LSO could receive due to very real limitations on the amount of revenue any LSO could raise from dues, clerk hire and other official member account sources. It would also provide an incentive for Caucuses which wish to use outside funding sources and its members to raise the maximum amount possible from clerk hire, dues, etc. and rely as much as possible on revenue generated from members' official accounts. As a result it has a number of advantages.

Depending on how large or small a percentage was allowed it would also restrict or reduce the amount of outside funds which could be received and any appearance of undue influence.

3. Currently, what is the approximate percentage of your funding derived from: (1) clerk hire/official allowances, (2) subscriptions to your publications, (3) Membership dues, (4) outside funds, (5) other.

Response: (1) 1 percent, (2) 0 percent, (3) percent, (4) 90 percent, (5) Investments—6 percent.

4. Should the present semiannual reporting requirement be replaced by a quarterly reporting requirement?

Response: Obviously a more frequent reporting requirement would provide more timely information to the Committee on House Administration, the Congress and the public on the nature of LSO's financial operations. If one objective of the Committee's efforts is to provide more information, a revised reporting format and more frequent reporting requirements are in order. The Travel and Tourism Caucus would have no difficulty with a quarterly report since it prepares a detailed monthly financial statement.

5. Would you support lowering the present $1,000 threshold for disclosure of receipts and disbursements to $500; $100?

Response: The Travel and Tourism Caucus would support any increased disclosure requirements the Committee feels is appropriate. The Committee may wish to develop some uniform disbursement chart of accounts and have the LSO's follow uniform more detailed reporting requirements. Needless to say the smaller the threshold on disbursements the more lengthy and tedious the reports become.

A case can be made, however, for a complete listing of all disbursements and receipts since all official Congressional expenditures are reported.

6. In your opinion, should disclosure reports provide salary data on all LSO staff?

Response: Since salary information is available for all other Congressional staff personnel there is no reason to exempt LSO personnel.

7. Are there any aspects of the present disclosure requirements which you believe should be altered?

Response: (See response to number 5 above.)

8. If restrictions on outside funding are imposed on the legislative service organizations, several of the caucuses which, because of a limited membership base, may be negatively affected. Are there any exceptions which should be accorded to such groups if outside funding is restricted or eliminated?

Response: If outside funding is to be eliminated there should be no exceptions. If it is allowed, the issues of exceptions would depend on how the regulations were drafted. Not being able to anticipate final Committee action it is impossible to address specific exceptions.

9. (a) Should legislative service organizations be allowed to accept in-kind support (internships, hosted conferences, independent research work) from sources outside of Congress?

Response: Whatever decision is made in the area of "in-kind support" it must be clearly stated and specifically defined to ensure all LSO's understand what is or is not considered as direct or indirect outside funding support.

If the Committee on House Administration decides to restrict direct outside funding it is only logical that indirect, or in-kind support should be similarly restricted.

9. (b) Has your organization ever accepted such in-kind services in the past?

Response: The term "In-kind" services needs to be more specifically defined to accurately answer this question.

The Caucus has co-sponsored a National Energy Conference with the Department of Energy (DOE). The DOE expended funds in preparing for and participating in this conference. The Conference was designed to bring together DOE and Congressional Officials with travel and tourism executives to discuss the crucial issue of federal energy policy. Whether the DOE's participation in this regard is considered in-kind support needs to be clarified.

"Independent research" by outside organizations is also used from time to time by the Caucus. This information is of an educational nature and of value to the members in making decisions on legislative issues. Whether use of research efforts and findings would be considered in-kind support and what value would be placed on such efforts needs to be clarified.

10. If in-kind services are accepted, should regulations require that all such services be so indicated in the disclosure reports?

Response: How "in-kind services" are defined and how one places a dollar value and is required to describe the service in any report has a crucial bearing in responding to this question. Needless to say, if restrictions are placed on outside funding for LSO's, similar restrictions must be placed on in-kind support. The nature of the reports required for disclosure purposes could have a tremendous accounting and clerical impact and even place the LSO's in a most difficult position of unintentionally not including some activities that others believe to be in-kind support.

11. Do you maintain a research institution?

Response: No, we do not maintain a research institute.

12. Do you presently maintain an outside mailing list for your publications? Is a set subscription fee charged for receipt of your publications?

Response: Yes we do maintain an outside mailing list. There is no subscription fee charged for receipt of our publications.

13. What is your view of a regulation which would restrict LSO's to recovering only mailing costs from publications sent to non-congressional groups or individuals? Would it be preferable to allow such LSO's to recoup publication as well as mailing costs? What would you consider to be an appropriate definition of "publication cost"?

Response: If outside funds are banned and there is no way to recoup the cost of reproducing the publication it would place another financial burden on the LSO's should they continue sending information to non-congressional groups. The Travel and Toursim Caucus on the other hand has no strong feelings on this issue although it would be financially helpful if LSO's could be reimbursed for production costs associated with distribution of educational materials.

14. What benefits do you associate with your organization being located on the Hill? If only those organizations which are exclusively funded from congressional sources were permitted to remain in congressional space, how would this impact on your group?

Response: It is extremely advantageous to be located on the Hill due to the ease of access to the members and hearings, location, etc. There is also a certain amount of prestige to be located in official Congressional Office Space.

Obviously should any LSO make a decision to locate off the Hill several factors must be taken into consideration. They are:

(1) Expense of outside office space.
(2) Commuting expenses to and from the Hill on official business.
(3) Personnel time consumed during trips to and from the Hill.
(4) Loss of official LSO and Congressional status.

15. If regulations were adopted limiting or prohibiting outside income, would your organization be able to comply if the effective date were set as January 1, 1982?

Response: As the Travel and Tourism Caucus now functions it would be difficult to make a transition by January 1, 1982.

This would be especially the case should a decision be made to locate off the Hill. It would be possible, but would consume a disproportionate amount of the energies of the Caucus and be disruptive to Caucus programs and efforts now assisting the Caucus members.

16. Should LSO's be prohibited from receiving grants from executive departments?

Response: Direct Grants designed to fund on-going efforts are or should be restricted.

How the term "grant" is defined is an important factor. Would this preclude joint involvement in activities which could have a positive impact in developing administrative and legislative programs of benefit to the nation, such as sponsoring national conferences on issues of critical importance to the nation? Would it restrict executive department's research efforts of interest to the LSO's? Would it restrict appointing executive department liaisons to ensure timely and appropriate responses to LSO requests?

Obviously direct cash grants to LSO's to finance unusual or on-going activities could be misinterpreted as an effort to influence legislative efforts. Caution must be exercised here. There are obviously efforts and activities that the legislative and executive branches must cooperatively work on to ensure effective governmental policy. Constructive efforts in this regard should not be inhibited.

In order to ensure that efforts are not misinterpreted, a detailed definition of what is and is not acceptable is suggested. Consideration may wish to be given to separate disclosure statements to dissuade improper programs and efforts on the part of LSO's and the Executive Branch.

MEMBERS OF CONGRESS FOR PEACE THROUGH LAW,
Washington, D.C. October 5, 1981.

Hon. WILLIAM R. RATCHFORD,
Chairman, Ad Hoc Subcommittee on Legislative Service Organizations, Committee on House Administration, Washington, D.C.

DEAR BILL: We want to thank you for your letter of September 24 and for the attached list of questions relating to the operation of Legislative Service Organizations. As the two House officers of MCPL, we wish to take this opportunity to respond to your questions.

We have enclosed a copy of an "Open Letter to all MCPL Members," which we distributed several weeks ago just prior to release of the Better Government Association's report, in order to explain the methods under which MCPL operates, the precautions we have taken to abide by the letter and spirit of all House rules, and the actions we are ready to take should your Committee promulgate new regulations. We believe that this enclosure will respond to most of the questions you asked.

Issues not addressed in the enclosure, which are relevant to MCPL, are:

(a) Detailed funding analysis: General information about our financing is in the Open Letter. Specifically, last year's (1980) budget was funded approximately 62 percent from Clerk-Hire, 5 percent from Members' subscription and dues payments, and 33 percent from outside contributions.

(b) Disclosure: We fully support the disclosure requirements proposed by your committee in draft form on August 28. Since we are concerned that the impact of the reform proposals in general may be to increase the numbers and influence of private "LSO affiliates" or "research institutes," we encourage you to strengthen and broaden the applicability of the disclosure regulations to cover any research institute which is formally affiliated with or provides regular research services for a Legislative Service Organization.

(c) In-Kind Services: As a rule, MCPL does not accept "in-kind" support from outside sources, and would oppose the concept of sponsoring a conference, for instance, which was funded by a corporation or other financial interest. MCPL does employ approximately 15 volunteer interns every year, some of whom may have received support or credit from their university for working with us. We have not considered this intern program "in-kind" support, and we strongly believe it is valuable both for the intern and the organization, and should be continued.

(d) Congressional office space: We believe that having office space inside the Capitol is an essential ingredient for MCPL as a Legislative Service Organization.

Since the other questions you posed, regarding outside subscription fees, Executive branch grants, and "limited membership" exemptions do not directly impact MCPL, we have not addressed them.

We appreciate this opportunity to respond to your questions.

Sincerely,

Representative JIM LEACH,
Vice-Chairman.

Representative MATTHEW MCHUGH,
Secretary-Treasurer.

(Attachment.)

MEMBERS OF CONGRESS FOR PEACE THROUGH LAW

AN OPEN LETTER TO ALL MCPL MEMBERS

September 18, 1981.

DEAR COLLEAGUE IN MCPL: The Better Government Association, a privately financed "watch-dog" organization which investigates and reports on the workings of federal, state and local governments, will soon release a report on Legislative

Service Organizations operating in the U.S. Congress. In cooperation with the WETA program "The Lawmakers," the BGA is documenting the sources and use of funds by caucuses, as well as House and Senate regulations governing them. The BGA report is expected to criticize the funding practices of certain groups, and to recommend reforms in a number of areas.

MCPL, a broad-based group which has existed since the 1960's, has complied fully with the law and with the rules of the House and Senate. The following information seeks to explain the way we operate, the precautions we have taken, and actions we are willing to take if the House or Senate decides to institute changes in the operation of caucuses.

1. Source of funds

Since the hiring of its first member in 1967, MCPL has received private contributions from individuals or groups. These funds, which once made up MCPL entire budget, now account for approximately one-third of it. The majority of the budget comes from Members' dues, subscription fees, and Clerk-Hire.

In compliance with House Rule XLIII, MCPL receives no private contributions of over $100 from entities with "a direct interest in legislation" (i.e. registered lobbysists.) Nor do we accept funds from any Political Action Committees, unions, corporations foreign governments, or foreign nationals.

MCPL's contributions in no way can be regarded as "special interest" money. MCPL's outside funds come from individuals nation-wide with a general interest in world peace, nuclear proliferation, arms control and disarmament, and international institutions. For many year our largest contributor has been a church in the Mid-West.

MCPL charges no subscription fee to outside groups or individuals who subscribe to our weekly publication or other publications.

MCPL's annual membership or subscription fee for House and Senate members is $150. MCPL's budget is supplemented by requests to each MCPL member for clerk-hire support.

MCPL's average outside contribution, raised mostly through our annual fund-raising dinner in Washington, is about $300.

2. Use of funds

Funds which come to MCPL from members' Official Expenses accounts go toward the payment of salaries not covered by Clerk-Hire, to subscriptions for daily newspapers and periodicals, to general office supplies, to electrical equipment, and to other office expenses.

MCPL has consistently withheld Federal income and FICA taxes, and has paid D.C. unemployment compensation taxes as are required by Federal and D.C. statutes.

Whenever wine or other alcoholic beverages are consumed at an MCPL event, a charge is assessed to attending Members, so as to preclude the use of any vouchered funds for the purchase of alcohol.

A financial audit has been completed by a certified auditing firm since 1968.

3. Affiliates

MCPL has an affiliated organization, the Peace through Law Education Fund, established under the laws of the District of Columbia in 1975.

The Peace through Law Education Fund is not located in Congressional Sspace, and never has been. It receives no federal funds or federal support of any kind.

The programs and agenda of the Peace through Law Education Fund are separate and apart from those of MCPL. Likewise, the structural make-up of the Education Fund is not closely related to MCPL: only three of its 11 Board members are MCPL members, with the remainder being from the private sector. The Education Fund's budget is only a fraction of MCPL's, raised mostly from foundations or individuals—but like MCPL's, not from lobbyists or special interest groups.

In 1979, the Peace through Law Education Fund changed its name from the MCPL Education Fund, so as to ensure that no reference to Members of Congress could be inferred, and to ensure that it could not be charged with seeking to appear as a Congressional or quasi-Congressional entity.

4. Incorporation and Tax Status

In 1975, on the advice of our attorneys, MCPL incorporated under the laws of the District of Columbia as a private, nonprofit organization, in order to preclude personal liability of our members. Shortly thereafter, MCPL was granted tax-exempt status by the Internal Revenue Service, although as an organization involved in legislative research and activities, contributions to it were *not* tax-deductible.

5. The BGA Report, New Regulations for L.S.O.s, and MCPL's Future

We believe that the BGA Report is likely to contain some valid criticisms.

In the past several years, numerous groups with special legislative interests have proliferated, some funded by the very interests which the caucus is designed to aid. We share BGA's concern about this.

MCPL, which has complied with all existing House and Senate rules, will comply with any new rules and regulations. However, certain changes will be required, which will also affect us as members.

The major impact on MCPL of proposed new rules will be the prohibition on receipt by LSO's of any outside contributions, even if they are from individuals with no interest in legislation. This prohibition will make it impossible for MCPL to function as it has in the past, with private funds supplementing our contributions. They will require that more of us contribute more Clerk-Hire support, and more equipment, printing, and/or supplies support.

A minor impact on MCPL of the newly proposed regulations will relate to the question of incorporation. MCPL is at present incorporated under D.C. laws; but if, as proposed under the new regulations, it is "deemed to be a part of the House of Representatives," MCPL will drop its incorporated status.

We want to emphasize that, although the BGA Report will provoke controversy, some misunderstandings, and some well-deserved questions, MCPL has always operated with a strong sense of responsibility to guard against conflict of interest or the appearance of conflict of interest. We are well prepared to deal with any controversy in this regard, or any question any member may have, although we do not expect any charge of either illegality or impropriety relating to MCPL.

We are confident that any controversies which arise will not affect the important work of MCPL and the goals which, through it, we all espouse.

Sincerely,

Senator CARL LEVIN,
Chairman.

Representative JIM LEACH,
Vice Chairman.

Representative MATTHEW MCHUGH,
Secretary-Treasurer.

THE REPUBLICAN STUDY COMMITTEE,
HOUSE OF REPRESENTATIVES,
Washington, D.C., September 30, 1981.

Hon. WILLIAM R. RATCHFORD,
Chairman, Ad Hoc Subcommittee on Legislative Service Organization, Committee on House Administration, Washington, D.C.

DEAR BILL: Thank you for the opportunity to respond to your questions regarding LSO operations.

LSO FUNDING

I do support a proposal to prohibit LSOs from receiving outside funds, except reasonable subscription fees.

Such a regulation would have no negative impact on the RSC.

If it is inappropriate for an LSO to accept large amounts of outside funds, then it would still be inappropriate to accept lesser amounts. It seems to me it would be like being "a little bit pregnant." If it's wrong, it's wrong. Outside money should be prohibited.

Source:	*Percent*
Clerk-hire	94.1
Dues (official allowances)	3.5
Subscriptions	2.4

DISCLOSURE REQUIREMENTS

I have no objection to a quarterly reporting requirement.

I have no objection to lowering the disclosure threshold to $500. However, I would urge that we avoid unnecessary detail. The key issue must be protection of the public interest. If outside contributions are prohibited, there should be nothing to report. If outside contributions are permitted, then perhaps a threshold of $100, would be necessary to protect the public interest.

I do not see any necessity to further disclose salary data, since all clerk-hire disbursements are already published in the Clerk's Report. However, if salaries are paid from sources other than clerk-hire funds, there is no existing published report. Therefore, such salary payments should be reported.

I have no objection to present disclosure requirements.

MEMBERSHIP

I see no justification for any exceptions on the restriction of outside funding. Why should a group with limited membership be granted an artificial equalizer? Any system which grants special exceptions must necessarily establish arbitrary boundaries for eligibility. The validity of such boundaries may then be subject to continuing debate. If a group is small, then it is because of the electoral process. We should not attempt to develop anything approaching a quota system within the Congressional groups. If a group has widespread interest and involvement, then it should be permitted to reap the benefits of its size. If a group is small, then it should work to increase its membership.

INKIND SERVICES

LSOs should be permitted to accept inkind support such as internships for training. Hosted conferences may also serve with worthwhile purposes.

The RSC has accepted some inkind services in the past.

Inkind services accepted by an LSO should be disclosed. However, guidelines should be promulgated to spell out quite clearly the definition of inkind services to be reported.

INSTITUTES

The RSC does not maintain a research institute.

PUBLICATIONS

The RSC presently maintains an outside mailing list for our publications. A fixed subscription fee of $150 per year is charged.

LSOs should be permitted to recover mailing and publication costs for materials sent to outside subscribers. However, a fee formula should be devised which would reflect the intent of such a limitation but would not require extensive accounting records. If the new regulation restrticts subscription fees to mailing costs only, it is important that the fee be based on historical postage records as there is no practical way to bill a subscriber for "current" postage costs.

MISCELLANEOUS

It is absolutely imperative that the RSC be located on the Hill. The vast majority of our work involves direct contact with our members, which would not be possible from a remote location. Since the RSC is funded exclusively from Congressional sources, a prohibition against federal office space for externally funded groups would have no negative impact on the RSC.

Since the RSC accepts no outside income, other than subscriptions, we could easily comply with a January 1, 1982 effective date regarding the prohibition of outside income. However, existing subscriptions would need to continue until their expiration.

LSOs absolutely should be prohibited from receiving grants from executive departments. The potential for undue influence renders such relationships completely inappropriate. The public interest would not be adequately protected.

Sincerely,

RICHARD T. SCHULZE, *Chairman.*

OCTOBER 20, 1981.

HON. WILLIAM R. RATCHFORD,
Chairman, Ad Hoc Task Force on Legislative Support Organizations, Committee on House Administration, Washington, D.C.

DEAR BILL: Enclosed is a resolution which I am introducing today regarding House caucuses. As I indicated to you during the Ad Hoc hearing on October 1, I am pleased to furnish the committee with a copy.

Sincerely,

ED BETHUNE,
Member of Congress.

(Attachment.)

97th CONGRESS, 1st Session

H. RES. ——

IN THE HOUSE OF REPRESENTATIVES

Mr. BETHUNE submitted the following resolution; which was referred to the Committee on ....

RESOLUTION

To prohibit the utilization by House caucuses of House office space, clerk-hire allowances, allowances for official expenses, and outside contributions.

Whereas caucuses, when functioning in a proper manner, are an important and necessary part of the political process: Now, therefore, be it

Resolved, That (a), on or after noon on January 3, 1982, no House caucus may—

(1) be assigned office space controlled by the House Office Building Commission;

(2) be assigned furniture or other equipment provided by the House;

(3) receive any amount from the clerk-hire allowance or the allowance for official expenses; or

(4) receive any amount or other thing of value from any other source.

(b) For purposes of this resolution, the term "House caucus" does not include the House Republican Conference (or any group established by it to serve its members) or the House Democratic Caucus (or any group established by it to serve its members).

(c) The Committee on House Administration shall prescribe regulations to carry out this resolution.

U.S. HOUSE OF REPRESENTATIVES,
COMMISSION ON CONGRESSIONAL MAILING STANDARDS,
Washington, D.C., June 8, 1982.

HON. WILLIAM R. RATCHFORD,
432 Cannon House Office Building,
Washington, D.C. 20515.

DEAR COLLEAGUE: Thank you for your letter of May 18, 1982, requesting the Commission's opinion on the question of whether a Member of the House of Representatives may permit his or her frank to be used for mailings by Legislative Service Organizations (LSO's).

As you know, the Commission is authorized and directed by Section 5(d) of Public Law 93-191, as amended, to issue such advisory opinions to Members. It is our opinion that Section 3215 of title 39, United States Code, does not permit a Member to allow a Legislative Service Organization to use his or her frank.

Section 3215 provides:

> "A person entitled to use a frank may not lend it or permit its use by any committee, organization, or association, or permit its use by any person for the benefit or use of any committee, organization or association. This section does not apply to any standing, select, special, or joint committee, or subcommittee thereof, or commission, of the Senate, House of Representatives, or Congress, composed of Members of Congress, or to the Democratic caucus or the Republi-

can conference of the House of Representatives or of the Senate." (P.L. 93-191, Section 10, Dec. 18, 1973, 87 Stat. 746)

The plain meaning of the section is clear, and the legislative history indicates that Congress has always intended that the section be construed narrowly.

Its predecessor provision, section 4166 of the former title 39, United States Code, stated:

> A person entitled to use a frank may not lend it or permit its use by any committee, organization, or association, or permit its use by any person for the benefit or use of any committee, organization, or association. This section does not apply to any committee composed of Members of Congress. (P.L. 86-682, Sept. 2, 1960, 74 Stat. 663)

Thus, the *only* exception under this section was for committees. Then, in 1973, Public Law 93-191 broadened and clarified the exceptions to the general prohibition against loan of the frank, creating the above-cited section 3215 of title 39, United States Code—the provision which governs Members today.

The purpose of the 1973 amendment was explained in House Report No. 93-88, 93rd Congress, 1st Session, p. 7:

> The effect of the new provision is to make it clear that a Member cannot lend his frank to informal committees or groups composed only of Members of Congress, but may lend it only to official committees created by Congress.

The amendment had been requested by Representative Melvin Price, the Chairman of the House Committee on Standards of Official Conduct, in a letter to the Chairman of the House Post Office and Civil Service Committee. In that letter, Congressman Price explained:

> I believe that the intent of this [original] provision was essentially to provide a means for Committee Chairmen to carry on the regular business of their Committees. Read literally, however, it can be construed to permit Members to lend their frank to any kind of ad hoc group of Members, notwithstanding the official status of the group in Congress. Such, I believe, was not the original intent, nor would such a literal construction be in the public interest. (H. Rpt. No. 93-88, *supra*, p. 13).

And so, from the legislative history of section 3215, it is clear that Congress has intended that Members may permit their franks to be used only by those organizations explicitly excepted by law from the general prohibition against loan of the frank. Even a standing committee could not mail official matter using the frank of its Chairman absent the explicit exception found in section 3215. Last year's amendments to the franking law (P.L. 97-69, October 26, 1981) left section 3215 unchanged, thereby reaffirming Congress' intent.

In view of the foregoing analysis, the Commission cannot advise a Member of the House that he or she may permit an LSO to use his or her frank. If an explicit exception from the general prohibition against loan of the frank is required in the law to permit the Chairman of a standing committee to allow the committee to use his or her frank for official mailings, then a similarly explicit exception in the law would be required for LSO's.

That the regulations of the Committee on House Administration characterize them "as an extension" of Members' individual offices is insufficient, in our view, to rebut the presumption that legislative Service Organizations *are* "organizations" for purposes of section 3215—especially in light of the restrictive legislative history we have cited.

Absent an amendment to the franking law, the Commission cannot advise you that it would be permissible to allow an LSO to use your frank.

Sincerely,

MORRIS K. UDALL,
Chairman.

EDWARD J. DERWINSKI,
Ranking Minority Member.

WILLIAM D. FORD.
TRENT LOTT.

APPENDICES

APPENDIX 1

LEGISLATIVE SERVICE ORGANIZATIONS APPROVED BY THE COMMITTEE ON HOUSE ADMINISTRATION AS OF SEPTEMBER 22, 1981

California Democratic Congressional Delegation
Congressional Arts Caucus
Congressional Black Caucus
Congressional Clearinghouse on the Future
Congressional Hispanic Caucus
Congressional Rural Caucus
Congressional Steel Caucus
Congressional Textile Caucus
Congressional Travel and Tourism Caucus
Congresswomen's Caucus
Democratic Research Organization
Democratic Study Group
Environmental and Energy Study Conference
Export Task Force
Federal Government Service Task Force
House Wednesday Group
Members of Congress for Peace through Law
New England Congressional Caucus
New York State Congressional Delegation
Ninety-Fifth Members Caucus
Ninety-Sixth Members Caucus
Northeast-Midwest Congressional Coalition
Pennsylvania Congressional Delegation Steering Committee
Republican Study Committee
Suburban Caucus
Sunbelt Council

APPENDIX 2

EXCERPTS FROM RULE 43 AND RULE 45 OF THE RULES OF THE HOUSE OF REPRESENTATIVES RELATING TO ISSUES CONSIDERED BY THE AD HOC SUBCOMMITTEE ON LEGISLATIVE SERVICE ORGANIZATIONS

RULE XLIII

CODE OF OFFICIAL CONDUCT

There is hereby established by and for the House of Representatives the following code of conduct, to be known as the "Code of Official Conduct":

1. A Member, officer, or employee of the House of Representatives shall conduct himself at all times in a manner which shall reflect creditably on the House of Representatives.

2. A Member, officer, or employee of the House of Representatives shall adhere to the spirit and the letter of the Rules of the House of Representatives and to the rules of duly constituted committees thereof.

3. A Member, officer, or employee of the House of Representatives shall receive no compensation nor shall he permit any compensation to accrue to his beneficial interest from any source, the receipt of which would occur by virtue of influence improperly exerted from his position in the Congress.

4. A Member, officer, or employee of the House of Representatives shall not accept gifts (other than personal hospitality of an individual or with a fair market value of $35 or less) in any calendar year aggregating $100 or more in value, directly or indirectly, from any person (other than from a relative of his) having a direct interest in legislation before the Congress or who is a foreign national (or agent of a foreign national). Any person registered under the Federal Regulation of Lobbying Act of 1946 (or any successor statute), any officer or director of such registered person, and any person retained by such registered person for the purpose of influencing legislation before the Congress shall be deemed to have a direct interest in legislation before the Congress.

* * * * *

* * * * *

7. A Member of the House of Representatives shall treat as campaign contributions all proceeds from testimonial dinners or other fund raising events.

8. A Member of the House of Representatives shall retain no one from his clerk hire allowance who does not perform duties commensurate with the compensation he receives.

* * * * *

* * * * *

11. A Member of the House of Representatives shall not authorize or otherwise allow a non-House individual, group, or organization to use the words "Congress of the United States", "House of Representatives", or "Official Business", or any combination of words thereof, on any letterhead or envelope.

As used in this Code of Official Conduct of the House of Representatives—(a) the terms "Member" and "Member of the House of Representatives" include the Resident Commissioner from Puerto Rico and each Delegate to the House; and (b) the term "officer or employee of the House of Representatives" means any individual whose compensation is disbursed by the Clerk of the House of Representatives.

* * * * *

RULE XLV

PROHIBITION OF UNOFFICIAL OFFICE ACCOUNTS

1. On or after January 3, 1978, no Member may maintain or have maintained for his use an unofficial office account.

2. After the date of adoption of this rule, no funds may be paid into any unofficial office account.

3. For purposes of this rule—

(a) the term "unofficial office account" means an account or repository into which funds are received for the purpose of defraying otherwise unreimbursed expenses allowable under section 162(a) of the Internal Revenue Code of 1954 as ordinary and necessary in the operation of a congressional office, and includes any newsletter fund referred to in section 527(g) of the Internal Revenue Code of 1954; and

(b) the term "Member" means any Member of, Delegate to, or Resident Commissioner in, the House of Representatives.

APPENDIX 3

DRAFT REGULATIONS CONSIDERED BY THE AD HOC SUBCOMMITTEE ON LEGISLATIVE SERVICE ORGANIZATIONS

DRAFT OF SEPTEMBER 11, 1981

LEGISLATIVE SERVICE ORGANIZATIONS

1. For purposes of this regulation a legislative Service Organization is defined as any congressional caucus, committee, coalition or similar group which—

(a) Consists solely of Members of the House or Members of the House and Senate;

(b) Is operated solely to provide legislative services or other assistance to the Members thereof in the performance of their official duties;

(c) Receives support from Members of the House via their clerk-hire or official expenses allowances, or from the House itself in the form of office space, furniture, furnishings, telephone service, etc.

(d) Receives no income or contributions, either in cash or in-kind, from any source other than specified in subparagraph (c) and paragraph 5.

(e) Is not incorporated and/or does not hold a separate tax-exempt status under the Internal Revenue Code; and

(f) Is sponsored by 30 Members of the House or two-thirds of the organization's total membership, whichever is less, who shall attest, in a statement filed with the House Administration Committee within six months after establishment and by May 1 of each even-numbered year thereafter, that the organization provides bona fide legislative services or assistance which assist them in the performance of their official duties.

2. Any organization which meets the criteria set forth in paragraph 1 shall be certified as a Legislative Service Organization by the House Administration Committee and as such shall be deemed to be a part of the House of Representatives and shall comply with all applicable regulations and House Rules. The provision of this paragraph shall apply fully, regardless of whether the offices of said Legislative Service Organization are located inside the House or in private space outside the House.

3. Any entity which receives contributions or any form of income, either direct or in-kind, from any source other than Members of Congress through their Clerk Hire or Official Expenses Allowances, shall not be located in space under control of the House Office Building Commission and shall receive no other support from the House or from Members of the House via their Clerk-Hire or Official Expenses Allowances.

4. Any Legislative Service Organization which pays its employees directly in addition to or instead of paying them through clerk-hire provided by Members, shall withhold Federal income and F.I.C.A. taxes and shall forward such amounts to the U.S. Treasury as required by law, and also shall pay such employee F.I.C.A. taxes and D.C. unemployment compensation taxes as are required by Federal and D.C. statutes. However, the total sum paid to any employee for all sources shall not exceed the highest rate of basic pay, as in effect from time to time, of level IV of the Executive Schedule in section 5315 of title 5, United States Code.

5. A Legislative Service Organization may receive payments from persons outside of Congress who receive copies of written reports, analyses, etc., which the organization provides its members. However, such payments shall not exceed the amount expended for postage to mail reports to persons making such payments.

6. No Legislative Service Organization shall distribute to Members of Congress any report, analysis or other research material prepared in whole or in part by persons other than persons employed by said Legislative Service Organization, unless the identity of the person and/or organization which prepared or assisted in the preparation of said research material is fully disclosed thereon.

7. Each Legislative Service Organization shall submit a quarterly report to the Clerk of the House not later than 30 days after the end of the reporting period which shall be available to the public through the Office of Records and Registration. Each report shall contain:

(a) The name, address, and officers of the organization;

(b) Total receipts, including clerk-hire, during the preceding quarter and a summary breakdown of said receipts by category (e.g., clerk-hire, dues, research fees, etc.);

(c) Total disbursements during the preceding quarter plus a listing of the recipient, purpose and amount of all disbursements in excess of $500 in the aggregate during the quarter;

(d) A listing of the name, address, and duties of all persons employed by the organization who received compensation, either directly or indirectly, during the quarter and the dates of their employment;

(e) the amount, if any, paid by individual noncongressional recipients of reports produced by the organization, the total amount received in such payments during the preceding quarter, and the amount of postage paid during the quarter to mail reports to persons making such payments.

(f) A general description of the legislative services or other asistance which the LSO provided to its members during the quarter;

(g) A listing of all reports, analyses or other material provided to members during the quarter which were preparted in whole or in part by persons other than persons employed by said Legislative Service Organization, and the identity of the person and/or entity which provide such assistance; and

(h) A copy of the sponsorship statement required by subparagraph 1(f).

8. This regulation shall not apply to informal pool arrangements whereby Members share staff in accord with other regulations promulgated by the House Administration Committee governing the use of Members' Clerk-Hire.

CORRESPONDENCE RELATING TO DRAFT OF SEPTEMBER 11, 1981

CONGRESSIONAL ARTS CAUCUS

SEPTEMBER 15, 1981

As a newly-formed caucus, we are pleased to have the opportunity to provide input for regulations governing the activities and funding of legislative support organizations. The initial stages of the formation of a caucus are often very difficult when no clear-cut guidelines are available. We feel, however, that prohibiting any outside source of income, which is suggested in the proposed guidelines, would not only limit caucus activity but, in many instances, jeopardize their very existence. Without the ability to raise limited outside funds or sell subscriptions to caucus publications, salaries would be paid—as noted—only through Members' clerk-hire, dues, or personal accounts.

The Congressional Arts Caucus was officially launched in April. Since that time our membership has steadily increased to 152, making the Caucus one of the largest support groups on the Hill. Each month, though, clerk-hire has become more difficult to obtain for a variety of legitimate reasons. With increased Members' office expenses, the minimum 4.8 percent raise for Federal employees, and the continued proliferation of caucuses, these funds will be even scarcer next year.

We suggest that outside contributions still be allowed but limited in size. Also, a ratio should be set determining the maximum proportion of a caucus's total operating expenses and salaries that may be paid from outside funds.

Caucuses provide valuable expertise and information in specialized fields which congressional staffs often cannot handle. While the final regulations might call for certain modification in the operations of caucuses, none should be so severe as to prevent these organizations from functioning.

RHODA GLICKMAN, *Director.*

CONGRESSIONAL BLACK CAUCUS

SEPTEMBER 22, 1981

The House Administration Committee will be reviewing on Wednesday, September 23, 1981, a proposed regulation drafted by Committee staff which, if adopted, would have the effect of disqualifying as Legislative Service Organizations utilizing House office space those congressional caucuses which operate on contributions other than Members Clerk-Hire. The Members of the Congressional Black Caucus oppose the regulation as discriminating against those congressional caucuses which because of their nature are small in membership, and represent large underrepresented segments of the American population and which would be unable to continue their operation if required to operate solely on Members' Clerk-Hire.

There are some twenty-six (26) congressional caucuses currently certified as Legislative Service Organizations. Yet it is estimated that there are from forty (40) to seventy (70) informal congressional caucuses that operate in the House, many of them utilizing office space. A general distinction can be drawn between those congressional caucuses organized before 1977 and those organized since that time. The first group of caucuses represent three general categories:

(1) *Political party affiliations and regional caucuses* (e.g. Democratic Study Group, House Wednesday Group, Democratic Research Organization, Republican Study Committee, Rural Caucus, Northeast-Midwest Coalition, New England Caucus)

(2) *Broad issue and ideological caucuses* (e.g. Environmental Study Conference, Members of Congress for Peace Through Law, Congressional Clearinghouse on the Future)

(3) *Small caucuses representing large underrepresented constituencies* (e.g. Hispanic Caucus, Women's Caucus, CBC)

Many of the caucuses formed since 1977 can be identified as representing single issue, commercial and industry interests and are funded primarily by the industry related to the congressional caucus (e.g. steel, coal, mushroom, export, tourism, textile).

The CBC contends that the thrust of the proposed regulation appears to be focused on the single issue commercial or industry caucuses operating on contributions by the industries and using House office space and the unique proximity to Members to advocate or lobby for commercial interests and not for the broad needs of the American public. At present, House Rule 43 which prohibits the use by individual Members of private funds for official purposes, has not been applied to House caucuses. It appears that Committee staff is now recommending that the House Administration Committee now apply Rule 43 (through the proposed regulation), to congressional caucuses seeking Legislative Service Organization status as a way of getting at single issue commercial caucuses. In addition, the regulation is aimed at those caucuses which operate as tax exempt entities or which maintain unaffiliated tax exempt foundations as a vehicle for increasing operating funds.

The CBC believes that a rigid application of Rule 43 for caucuses qualifying as Legislative Service Organizations discriminates against small caucuses representing large underrepresented constituencies.

The CBC is made up of the 18 Black Members of the House. In addition to representing their individual congressional districts, Caucus Members also represent the interests of 26 million Black Americans and millions of poor Americans of every race. Unlike most of their colleagues, CBC Members represent constituencies that suffer severe social, economic and political disadvantages. While there are 110 congressional districts with 15 percent or more Black constituencies, the under representation of the interest of Black citizens continues in the U.S. Congress.

In 1981, Black unemployment continues to be more than twice that of white unemployment (16 percent vs. 7.5 percent); Black family income is 59 percent of white family income; Black youth employment rose to 50 percent in August 1981; the number of poor white families declined by six percent between 1970 and 1979, yet the number of poor Black families increased by 12 percent (from 1,481,000 to 1,666,000) with the bulk of this increase among Black female heads of households.[1]

The growing mood in the Administration and Congress for cutting programs critical to the needs of Black Americans and the poor (the majority of whom are white) makes the Caucus one of the few entities in the Congress taking leadership on issues addressing the needs of the poor, minorities and underrepresented citizens.

There are 18 Black Members of Congress out of 435 Members, but if Black Americans were represented according to their numbers in the population, they would have 49 Black congressional representatives.

While there are numerous Washington based lobby organizations representing business, labor, farm, foreign government and many other special interests, there are very few national organizations or lobbyists representing before the Congress the interests of Black Americans and the poor.

The CBC believes that we are faced with the most extraordinary efforts in many years by the Administration and the Congress to reorder America's economic priorities toward the interest of more affluent Americans and institutions and away from the needs of the poor and minorities. This effort makes the existence in the House of a congressional caucus providing important legislative information, analysis and leadership on issues of concern to Black Americans and the poor more critical than ever before.

Like the CBC, the Hispanic Caucus and the Congressional Women's Caucus are small caucuses representing large underrepresented populations. There are 7 hispanic House Members representing some 20 million Hispanic Americans. There are 20 women Members representing women in America who are 51 percent of the population.

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[1] Source: Dr. Robert Hill, National Urban League.

Since its inception in 1971, the CBC has operated on funds raised at one annual fundraising dinner and a small amount of clerk-hire funds. The CBC annual dinner raises about $400,000 currently from about 4000 persons who represent a very diverse body of nationwide contributors (e.g. labor, business, civic and civil rights and public interest organizations, small business persons, elected officials and individuals). CBC contends that the Committee concern with control by industries of single issue commercial caucuses is clearly not an issue or a remote possibility with the kind of diverse contributors supporting the CBC. Many of the contributors to the CBC provide support because they realize the extraordinary problem in America of underrepresentation of Black Americans and want to support a unique body like CBC providing such representation.

In addition to the fundraising activities occurring during the annual CBC Legislative Weekend, there are numerous legislative workshops and special issue forums during the annual CBC Dinner Weekend which provide over 5000 Black citizens with an opportunity to receive critical legislative information and gain access to resource persons not otherwise available to them.

If the proposed regulation is adopted, the larger congressional caucuses can combine small amounts of clerk-hire funds and continue to operate effectively as Legislative Service Organizations. However, the 18 black Congress members would be extraordinarily disadvantaged. Each CBC Member would have to pay $20,000 a year each in clerk-hire to maintain the CBC at its present staff level.

The largest dues of any of the current caucuses is $2500 (DSG). A number of non-Black Members have contributed Clerk-hire funds over the years to the CBC. Yet, it cannot be presumed that with the decreased focus on the problems of Black Americans by public policy makers, that white Congress members will in sufficient numbers give clerk-hire to CBC in the same way that they subscribe for $2500 to DSG for receipt of objective analysis of legislative and special issue reports.

Since 1971, CBC has been allowed to operate in space in the House. Since 1979 it has been certified as a Legislative Service Organization and has made *full discolsure* of all income from clerk-hire and outside contributions in the semi-annual report to the House Clerk as required by the House Administration Committee regulation. In addition, an audit statement appears in the program provided to contributors at the annual CBC Dinner.

The proximity to the House by the CBC has given a greater visibility and credibility to issues of Black Americans that would not exist if CBC were disqualified as an Legislative Service organization and forced to operate outside of House office space.

The disqualification of the only congressional caucus serving the interest of Black Americans and the poor from the status of a L.S.O., would indeed be an unfortunate occurence in a Democratic controlled House.

SUMMARY

CBC contends that the House Administration Committee had failed in the past to establish a standard for deciding which Member interests will be represented by Legislative Service Organizations in House office space. The result has been a proliferation of congressional caucuses operative without consistent accountability and full disclosure of all financial and operational resources to the Committee, the Congress and therefore to the taxpayers.

However, the CBC if allowed to continue as an Legislative Service Organization, is willing to comply fully with all disclosure requirements established by the Committee. The CBC does applaud the Committee's effort to develop greater and more consistent fiscal accounting measures than presently exist. The present semi-annual report guidelines are explained to each caucus orally only when clarification is sought and have not been reduced to writing. This process leads to inconsistent and often erroneous reporting by caucus and leaves the Congress vulnerable to media attacks like that of the Better Government Association.

The CBC requests that for the reasons stated in these comments that it be allowed to continue as a Legislative Service Organization. The CBC is aware of the soon to be released Better Government Association investigative reports on congressional caucuses. However, the Caucus believes that more thoughtful and careful consideration should be given by the Committee in shaping regulations to govern in a consistent manner the congressional caucuses. The CBC requests that more time be given for the comment period than has been allowed by the Committee to date.

RECOMMENDATION

The CBC recommends that those caucuses established prior to the adoption of any new House Administration Committee regulation be allowed to continue as Legislative Service Organizations with more stringent requirements for diverse contributor group, representation of the interest of broad segments of the population (e.g. rich, middle-income, poor) and other fiscal reporting accountability measures. Any future group of Members who wish to establish a Legislative Service Organization should be required to appear before the Committee to make their case for why Legislative Service Organization status should be granted.

WALTER E. FAUNTROY,
Chairman.

CONGRESSIONAL CLEARINGHOUSE ON THE FUTURE

SEPTEMBER 16, 1981

The Congressional Clearinghouse on the Future is certainly supportive of any efforts to clairfy and provide guidelines regarding the operation of LSO's. Having developed in the absence of any formal and detailed legislative attention, our organization would welcome constructive guidelines.

Legislative Service Organizations usually provide Members of Congress with an extension of services and information while keeping down the costs of this information. Their phenomenal growth can be attributed to Members' increasing need for pertinent legislative insights and analyses beyond that which is provided by internal staff.

Regarding the specific proposal:

1. Section 5 should be changed to read . . . However, such payments shall not exceed the *direct costs* of the preparation of such materials.
2. Section 7 (c). In order to further clarify disbursements, we suggest a listing per aggregate disbursement on $100 be adopted.
3. If LSO's are to be totally supported by the House of Representatives, then an official allotment for office expenses should be allocated to them. This allotment could be equal to the aggregate of $5,000 per staff member.
4. LSO's with existing assets should be permitted to retain these assets.
5. The effective date for implementation of these regulations should be June 1, 1982.

RITA P. GOLDMAN, *Director.*

CONGRESSIONAL STEEL CAUCUS

SEPTEMBER 15, 1981

At the Friday, September 11th meeting of LSO directors and House Administration staff, Bob McGuire asked for written comments on the proposed rule changes governing the operation of Legislative Support Organizations.

The Congressional Steel Caucus conforms to the majority of the proposed rule changes contained in the initial draft and, therefore, would experience little difficulty in complying with such changes.

However, with respect to Section 1(e), I believe that further clarification is needed concerning the prohibition of a separate tax exempt status as part of the definition of an LSO. Specifically, in my communications with IRS, I was advised that any entity receiving funds for any purposes must pay taxes on its income regardless of the sources unless it has established a tax exempt status in accordance with IRS regulations.

Since the Caucus was established as a non-profit organization, a decision was made to apply for recognition of exemption in order to qualify as an entity exempt from Federal income tax under Section 501(c)(4) of the Internal Revenue Code. That status was granted on December 31, 1979.

The Caucus has always complied with all rules and regulations governing its operation. If it is possible, a written ruling from IRS explaining that LSO's need not possess tax exempt status to qualify for exemption from Federal income tax, would certainly clarify the situation with respect to complying with Section 1(e) of the proposed rule changes.

PHILIP M. OLA, *Staff Director.*

CONGRESSIONAL TRAVEL AND TOURISM CAUCUS

SEPTEMBER 16, 1981

Mr. HUGH G. DUFFY,
Staff Director/General Counsel, Committee on House Administration, Washington, D.C.

DEAR MR. DUFFY: The Travel and Tourism caucus received a copy of the proposed regulations for Legislative Service Organizations drafted by the Committee on House Administration on September 11, 1981. In response to your request for comments by September 16, 1981 please consider the following.

The purpose of our Caucus is to provide a forum for Members of Congress to exchange information, suggestions, and research with their colleagues. These activities have assisted our House Travel and Tourism Caucus members greatly.

The operational expenses of the Caucus are financed through member dues, clerkhire funds and donations. The largest percentages of these funds come from donations. To preclude disproportionate donations the Caucus has established a limit of $1,000 per year per contributor. The overwhelming percentage of all our contributions are from small businesses, for no more than $250.

The Travel and Tourism Caucus has always made every effort to ensure that it was in compliance with all House rules. As you know our Caucus has been duly qualified by the Committee on House Administration as a Legislative Service Organization within the definition of its rules, and in prior discussions with staff of the Committee on Standards of Official Conduct, was informed that our approach to financing the Caucus was in compliance with existing House rules and procedures. The Caucus has and intends to continue to comply with House guidelines in every respect, and appreciates your efforts to clarify the House regulations for Legislative Service Organizations and to involve the organizations themselves in the effort.

Should you decide to adopt the regulations presented to us at the September 11, 1981 meeting, please consider the following amendments:

1. Item 3 on page 1 should be clarified to allow subscription to newsletters from outside research firms. It should also be amended to allow members who wish to pay their Caucus dues by personal check.
2. Item 5 on page 2 should be amended to allow Legislative Service Organizations to recoup expenses associated with reproduction such as: printing or xeroxing, envelopes, etc. This operation, of course, must not be a profit making one, but the LSO should be allowed to recoup basic costs associated with the production and distribution of information materials.

In some respects the guidelines as now drafted seem unnecessarily restrictive. Requiring additional and more detailed disclosure requirements, placing limits on the amount of funds collected from any one source, placing a ceiling on the total amount received from private sources, and establishing guidelines as to how the funds may be expended might be steps that could be considered to prevent undue influence or abuse of funds. Adopting procedures along these lines would allow Legislative Service Organizations to participate in the legislative process and yet still accomplish the objectives of the Committee.

The concerns of the Committee are understandable, and we support efforts to clarify the House's procedures as they relate to Legislative Service Organizations. We also believe that there may be loss restrictive measures which could accomplish the same objectives, and we would be pleased to have the opportunity to pursue these suggestions at your convenience.

Please be assured the House Travel and Tourism Caucus supports the Committee on House Administration's effort in this area and looks forward to working with you in this regard.

Sincerely yours,

DOUGLAS P. WENDEL.
Executive Director.

CONGRESSWOMEN'S CAUCUS

SEPTEMBER 21, 1981

Hon. AUGUSTUS HAWKINS,
Chairman, Committee on House Administration, Washington, D.C.

DEAR MR. CHAIRMAN: As co-chairs of the Congresswomen's Caucus, we would like to comment on the proposed changes in the regulations governing legislative support organizations, particularly as they will affect a small caucus such as ours.

First, let us briefly outline the purpose of the Congresswomen's Caucus and its accomplishments since it was founded in 1977. The Congresswomen's Caucus was founded to represent the concerns of women in Congress. While women comprise 51 percent of the population, only 4 percent of the members of Congress are women. The Caucus women work to overcome this disproportionate representation and speak as one voice for the 51 percent of the population who are women.

Since our founding in 1977, the Caucus, working with limited financial resources and a small staff, has nevertheless accomplished a great deal on behalf of women:

Worked for passage of the ERA extension, allowing State consideration of the amendment until 1982.

Secured the inclusion of displaced homemakers under the underemployed/disadvantaged category of the Comprehensive Training and Education Act so that projects to promote their training and hiring could be established by prime sponsoring groups through CETA grants.

Worked for the federal part-time and flexitime hiring bills which promote employment opportunities for women, the handicapped and the elderly.

Worked for passage of the Social Security amendments of 1977, which reduced from 20 to 10 years the marriage requirement a spouse needs in order to share with a divorced spouse his or her Social Security pension and allowed divorced or widowed individuals to remarry without loss of pension.

Requested the Secretary of HEW (Califano) to investigate the treatment of women under the social security system, which resulted in the issuance of a landmark report: *Social Security and the Changing Roles of Men and Women.*

Sponsored in the House, the Economic Equity Act, an important package of legislation which addresses the financial inequities faced by women in the tax codes, pension systems, child support systems, etc.

In addition our research and education arm works to coordinate research between policy makers and women's research centers throughout the country, and conducts a fellowship program which allows outstandig young women and men to work on issues of importance to women in Congressional offices.

We are proud of these achievements and wish to point out that the Caucus staff has never exceeded two paid positions with a modest budget of approximately $42,000 a year. However, under the proposed new guidelines it would be difficult to sustain even this small staff to carry forward the work of the Caucus. Therefore we are respectfully requesting that the Committee review the proposed rules with care. Indeed, as we understand them, certain of the rules, as now proposed would, if enacted, have a harsh effect on the Caucus—making it difficult for us to continue our present operation.

In reference to rule 3, we are concerned that prohibition of contributions in-kind could be interpreted to apply to fellows and interns serving in Caucus offices, even though fellows and interns serve in other Congressional offices and are not considered as contributions to be accounted for. In other words, we hope that Caucuses will not face more constraints than other Congressional offices. Currently, we have a fellow from the American Association of University Women serving in our office. It is such assistance that has allowed us to keep paid staff at a minimum while providing a valuable education experience for the young women who train with the Caucus.

In reference to rule 5, concerning subscription fees for Caucus publications, we respectfully request that such fees include total production costs (paper, printing and staff salaries) as well as postage fees. The Caucus produces a biweekly bulletin that tracks legislation of concern to women. This is a basic service that we are uniquely situated to provide and that is not provided by other publications. Many women's organizations with limited resources find this publication of great value in following legislation of concern to their organizations. If we are not allowed to charge for production costs, as well as postage, it would be impossible for the Caucus, with its small membership base, to continue this service.

Even with the implementation of the changes we have proposed, the Caucus will still be obliged to scale down its present programs and services to our Members, Congressional offices, and women's organizations. We therefore ask your careful consideration of the unique situation of small legislative support organizations and the constituencies they serve.

Sincerely,

Patricia Schroeder,
Co-chair.
Margaret M. Heckler,
Co-chair.

ENVIRONMENTAL AND ENERGY STUDY CONFERENCE

SEPTEMBER 18, 1981

HON. AUGUSTUS F. HAWKINS,
1026 Longworth Building, Inside Mail

DEAR MR. CHAIRMAN: As Co-Chairman and Co-Vice Chairman of the Environmental and Energy Study Conference, we are writing to provide our comments on your committee's proposed new regulations governing legislative service organizations.

First, we would like to provide some background on the Conference. Founded in 1975, the Conference has grown into the largest legislative service organization in Congress, with 268 House Members and 80 Senate Members, from both sides of the aisle and across the political spectrum. A membership list is attached.

We are strictly non-advocacy, providing our Members with objective legislative research and information.

We depend upon Congressional clerk-hire and official expenses for approximately two-thirds of our total budget and upon revenues from subscriptions to our Weekly Bulletin to people outside Congress for the remainder. The subscribers break down into approximately 40 percent corporate, 35 percent state and federal agencies, and 25 percent academic, non-profit, press and other.

Turning to the proposed regulations, we strongly support the committee in its effort to regulate informal Congressional groups. However, we are greatly concerned about the speed with which the committee is proceeding and the lack of hearings and opportunity for comment. The result may well be regulations that although much-needed and long-overdue, do little to address what may be real problems with legislative service organizations. At the same time the regulations could, although unintentionally, adversely affect the legitimate functions of legitimate organizations.

The Conference stands ready to work in a positive, constructive and deliberate fashion to develop sound and workable regulations which will prevent abuses and conflicts of interest while permitting legitimate operations to continue.

Our only real concern with the proposed regulation dated September 11, 1981, is that they make no distinction among organizations in terms of their objectives and types of non-Congressional funds.

As you know, the Conference is non-advocacy research organization that receives outside subscription revenue. We don't recall anyone ever accusing the Conference, or could anyone ever accuse the Conference, of a conflict of interest, outside influence or any impropriety because of that subscription revenue. In addition, we take no outside contributions nor do we have any sister institute.

Our situation is quite different than just about every other legislative service organization and certainly distinguishably different than advocacy organizations that take private contributions.

We urge you to consider amending the regulations to make such a distinction. Specifically, we would recommend amending Paragraph 5 to read:

> 5. A Legislative Service Organization may receive payments from persons outside of Congress who receive copies of written reports, analyses, etc., which the organization provides its members. However, such payments *received by a legislative service organization which engages in any lobbying or other activity to influence legislation or legislative or executive agency actions* shall not exceed the amount expended for postage to mail reports to persons making such payments.

This would make the proper distinction between non-advocacy organizations who receive subscription revenues and advocacy organizations. It would prevent advocacy organizations from simply replacing outside contributions with subscriptions to those same outside contributors as a means of raising revenue to influence legislation or administrative policy beneficial to those outside interests.

Without a change of this sort, the regulations will have a significant adverse impact on the Conference and its Members. We will be faced with either a one-third cut in services or a massive increase in dues (more than ten-fold), or a combination of both.

In any case, both Congress and the taxpayer lose.

A conforming amendment would modify Paragraph 3 to read "Any entity which receives contributions of any form of income, either direct of in-kind, from any source other than members of Congress through their Clerk-Hire or Official Expenses Allowances or other than specified in paragraph 5, shall not be located in space under control of the House Office Building Commission or shall receive no other support from the House or from Members of the House via their Clerk-Hire or Office Expense Allowance."

We also would recommend correcting what appears to be an inadvertant drafting oversight. Paragraph 1(c) should be amended to read: "Receives support from Members of the House OR MEMBERS OF THE HOUSE AND SENATE via their clerk-hire or official expense allowances, or from the House itself in the form of office space, furniture, furnishings, telephone service, etc." This would make 1(c) consistent with the rest of the regulations.

Thank you in advance for your consideration of these recommendations.

Sincerely,

Paul N. McCloskey, Jr.,
Co-Chairman.

Howard Wolpe,
Co-Vice Chairman.

THE HOUSE WEDNESDAY GROUP

September 21, 1981

Hon. Augustus F. Hawkins,
Chairman, Committee on House Administration, Washington, D.C.

Dear Mr. Chairman: This is to respond to the proposed regulations governing legislative service organizations issued September 11, 1981.

We have reviewed the regulations and support them. As you know, the Wednesday Group voluntarily operates under regulations similar to those proposed.

Specifically, we are encouraged by the proposal regarding the prohibition on the use of non-Congressional funds by LSO. We also support the more detailed and frequent reporting requirements, and the prohibition on holding tax-exempt and/or incorporated status.

We feel that no justification exists for an LSO to operate with funds received from outside of the Congress. Such activity creates the appearance of and potential for improper conduct, and is inconsistent with rules that govern the conduct of individual members and their staffs. In addition, such activity raises the issue of whether members of Congress really want and need many LSOs, since they are unwilling to pay the necessary costs of running such organizations.

In the past we have urged other LSOs to adopt practices similar to those now proposed. Consequently, we appreciate the Committee's current efforts and strongly urge the Committee's adoption of the proposed regulations.

Sincerely,

M. Caldwell Butler,
Chairman.

Steven Hofman,
Executive Director.

NEW ENGLAND CONGRESSIONAL CAUCUS

September 16, 1981

Hon. Augustus F. Hawkins,
Chairman, Committee on House Administration, Washington, D.C.

Dear Gus: We are writing to you with regard to the proposed regulations on Legislative Service Organizations (LSOs) which the House Administration Committee staff circulated last Friday, September 11, 1981. We understand that the staff asked that comments on the proposed regulations be received today, September 16th, so we are submitting these comments in our capacity as Co-chairmen of the New England Congressional Caucus (NECC).

First, we would like to congratulate you and your staff for suggesting many of these long overdue changes. Since the founding of the New England Congressional Caucus in 1973, we have always worked to insure that the Caucus hold to very high self-imposed standards. However, with the creation of many additional caucuses and legislative coalitions in recent years, it is clear that some groups have taken unfair advantage of the lack of House regulations which exist in the LSO area. For this reason, we agree that strengthened regulations are in the best interests of organizations such as our own which have always maintained high standards in our operations.

Second, while we feel that new regulations are necessary, we would caution the House Administration Committee from imposing rules which would have the effect of terminating smaller caucuses. In spite of the unanimous support of New England's entire Congressional Delegation in the House, the proposed regulations would make it extremely difficult for the New England Caucus to continue to operate in the future. Consequently, we would like to make the following suggestions for changes in the regulations, beginning with the ways in which the proposals could be made even tighter.

WAYS TO STRENGTHEN THE PROPOSED REGULATIONS

1. In the proposed quarterly report we would suggest that all disbursements *in excess of $100* in the aggregate during the quarter be listed. The September 11th draft (item 7.c) states that "disbursements in excess of $500" must be disclosed, an amount which in our opinion does not provide enough of a breakdown on how groups disburse funds. We will enclose a copy of the New England Caucus' Accountants' Report for 1980 which shows by way of example how the Caucus spends its funds.

2. Rather than simply receiving a "listing of all reports, analyses or other material provided to members during the quarter" (item 7.g), we would suggest that the House Administration Committee receive actual copies of all LSO work-products. In this way the Committee would be in a far better position to conduct oversight over the various groups, and it would enable House Administration to see some of the excellent work which is done by many caucuses.

WAYS TO AVOID JEOPARDIZING SMALL CAUCUSES

1. The proposed regulations would prohibit caucuses which receive clerk-hire funds from receiving outside contributions (item 1.d). All support for LSOs would have to come from the House itself. For the purposes of the New England Congressional Caucus and other small caucuses, this provision would impose a heavy burden. In the 96th Congress, for example, twenty-four out of twenty-five New England Caucus members contributed clerk-hire funds to NECC, with twenty members contributing at least $2000. To now ask these same members to contribute expense allowance funds for office expenses and overhead in addition to the clerk-hire would put NECC in a very precarious financial situation.

After some discussion of this issue, we would like to suggest that Legislative Service Organizations be allowed to receive up to $20,000 in outside contributions per year (or $40,000 per two year Congress) with contributions being limited to a maximum of $100 each. In this way outside influence would be minimized without endangering the financial viability of small caucuses.

On the same issue of financial viability, if the Committee does decide to bar outside contributions to LSOs receiving clerk-hire, we would at least hope that existing caucus funds could be retained to defray future operating expenses.

2. The Committee draft proposes that payments for LSO reports and analyses may not exceed postage costs (item 5), a particularly burdensome requirement. This provision would effectively bar caucuses from printing and distributing any reports in the future since there would be no way to recover the actual cost of the publication. We would request that the Committee allow LSOs to recover "direct costs" for the publication or reports.

3. The proposed regulations could be interpreted to prevent Congressional Fellows or interns from working with caucuses if one reads strictly the prohibition against "in-kind" contributions (item 1.d). If this provision is retained, it should be specifically stated that caucuses are free to accept the services of Congressional Fellows and interns on an intermittent basis.

In conclusion, Mr. Chairman, we support the efforts of the House Administration Committee in issuing new regulations governing the operations of Legislative Service Organizations. However, we also hope that the committee does not promulgate regulations which will have the effect of jeopardizing the future of worthy organizations such as the New England Congressional Caucus. We have been proudly associated with the New England Caucus since its inception in 1973, and with the guidance of your Committee, we hope to continue in our NECC leadership roles in the future.

Thanking you for your assistance, we are

Sincerely,

SILVIO O. CONTE,
Co-chairman.

EDWARD P. BOLAND,
Co-chairman.

NORTHEAST-MIDWEST CONGRESSIONAL COALITION

SEPTEMBER 14, 1981

HON. AUGUSTUS F. HAWKINS,
2371 Rayburn House Office Building.

DEAR GUS: I am writing to share with you my thoughts on the proposed regulations for legislative service organizations circulated Friday by the House Administration Committee.

I applaud the Committee's effort to regulate the caucus system. With some reservations about specific guidelines, I think the discussion draft circulated last week shows superlative work by your staff. Over the past several years, the unchecked proliferation of caucuses and affiliated research operations has, unfortunately, led to many abuses. It is my view that the proposed reforms are necessary.

"Reform," I think, is the right word, because the committee is trying to improve, rather than abolish, the network of legislative support organizations. These organizations, in my view, have become essential to the legislative process. My experience as chairman of the Northeast-Midwest Congressional Coalition has given me ample opportunity to observe how caucuses can fill the information gaps left by the committee system. In our case, more than two hundred Members of Congress have freely affiliated, not to defend one industry or special interest, but to help distressed cities and states solve their economic problems. With the help of a separately incorporated, financed and operated Institute, the Coalition has provided its members with professional policy analysis unavailable from any other source. We have become the primary channel of information on the relationship between federal policy and the economic stresses robbing our cities of investment, industry and jobs. In the process, the Coalition's sphere of legislative concern has expanded to include distressed cities and communities in every region, not only the Northeast and Midwest.

I know the Coalition and the Northeast-Midwest Institute have helped me better fulfill my duties as a public official, and I believe that many of our colleagues would say the same. The caucus system has become so valuable that I strongly believe it must be protected and strengthened. For the most part, the proposed regulations will have that effect. My principal reservation is that the expulsion of legitimate, independent research organizations from House office space will weaken the ability of many caucuses to provide their members with professional policy analysis. I don't think the House Administration Committee should ignore the potential problems which can be caused by the irresponsible use of outside funding, but the Committee should consider other means to regulate research organizations which have been invited into spare House space. I would like to submit, as a model, the following guidelines based on the standards we have used at the Northeast-Midwest Congressional Coalition to govern our relationship with the Northeast-Midwest Institute. These guidelines, of course, would have to be phrased more tightly in legislation:

Caucuses should be legally, financially, and operationally distinct and separate from research organizations formed at the suggestion of caucuses.

Caucuses which receive any non-Congressional funds should be legally incorporated in the District of Columbia and should meet the demanding standards of Section 501-C-4 of the Internal Revenue Code.

Caucuses should comply fully with all applicable Congressional reporting disclosure rules, and should do more as well.

All caucus organizations should keep a complete set of books covering all income from Members and external sources, and all expenses, whatever the source of revenue. These books should be open to public inspection. The Clerk of the House and Secretary of the Senate should be relied upon to provide all necessary payroll services with the appropriate internal accounting controls.

Caucuses receiving only clerk-hire funds for staff should use House office space.

Caucuses receiving a mixture of clerk-hire funds and non-Congressional funds for staff salaries should use Congressional space only in a proportion to non-Congressional office space that reflects their proportion of clerk-hire to non-Congressional funds for staff.

Caucuses should have the option of inviting research organizations formed at their suggestion but financed with non-Congressional funds to use separate Congressional office space already assigned to the caucus. When occupying adjoining space, research organizations should clearly distinguish space used by the "host" caucus organization from that used by the research organization. Use of separate rooms, with separate mailing addresses and phone numbers are appropriate means of making these distinctions concrete.

Research organizations ought to meet the rigid standards of Section 501-C-3 of the Internal Revenue Code, should be separately incorporated in the District of Columbia with a Board of Directors that includes no Members of Congress or Congressional staff, should maintain separate sources of funds, and should keep separate books and accounts.

The legal and financial distinctions should not be more artifice, but rather should characterize their operations as well. While caucus organizations should be helping their Members and Senators carry out organizational tasks and accomplish legislative objectives within the Congress, research organizations working with caucuses should confine themselves to be reliable sources of accurate and impartial research, analysis, and other information concerning the issues of interest. While the two types of organizations may work closely together and may share space of administrative convenience and efficiency, the operational, financial, and legal distinctions can and should be maintained. Careful attention to this separation will enhance the quality and credibility of each organization and fully satisfy the standards of legality and propriety.

Research organizations formed at the suggestion of caucuses receiving non-Congressional funds should, of course, comply fully with all applicable federal, state and local record-keeping and reporting requirements. However, such organizations should regard these requirements as minimum standards. For example, very careful attention should be given to the development and maintenance of a professional, separate set of books. These record-keeping procedures should be developed with the assistance of a certified public accountant and should be fully audited once a year by an independent auditor. The financial records of associated research organizations, including the annual audit reports, should be open for public inspection.

From time to time Members or Senators may request assistance from research organizations in the drafting of legislative language. Since such activities are specifically exempted from the Internal Revenue Code if they are requested in writing by a Member of Congress, research organizations should insist on receiving a carefully drawn, written request from a Member or Senator before beginning work on such a task.

Research organizations should also periodically advise their staffs concerning what activities constitute lobbying and devise a method of strictly controlling such activities in conformance with all applicable Internal Revenue Service rules.

In addition to those suggestions, I believe the proposed draft can be tightened in these three areas:

Section 5 of the regulations states that a legislative service organization may receive payments from persons outside of Congress who receive copies of written reports and analysis, but such payments may not exceed the amount expended for postage. I believe this section should be expanded to include payments to the legislative service organization to cover the postage and printing of reports.

The section on reporting requirements uses $500.00 as the aggregate amount which must be disclosed as a disbursement. I believe this section might be improved by requiring that all disbursements in excess of $100.00 be filed with the Clerk of the House.

Also under the financial reporting requirements section, a listing of all reports, analyses and other materials provided to members which were prepared in whole or in part by persons other than persons employed by the legislative service organization must be sent to the Clerk of the House. In addition to the listing, a copy of these reports should be filed with the Clerk of the House or the Library of Congress.

Finally, I would strongly urge that legislative service organizations be granted a longer period to comply with whenever new regulations your committee chooses to adopt. This can be accomplished by adhering to the January 1, 1982 overall effective date but adding some explicit time extension (e.g. 3 or 6 months) for a few of the provisions. The reforms will require some caucuses to revise their operating procedures completely, and this may be a burden, especially for the smaller caucuses, unless a more adequate transition period is allowed.

I would like to emphasize, Gus, that I think most of the proposed reforms are right on target. You are to be congratulated for moving quickly to close a serious gap in House rules. My one concern is that Section 3 could restrict our access as Members of Congress to the professional research and policy analysis an independent research organization, working closely with a caucus staff, can provide.

I'm very grateful for the opportunity to meet with you and I hope you and I will continue to work together on this issue.

Cordially,

ROBERT W. EDGAR, *Chairman.*

THE REPUBLICAN STUDY COMMITTEE

SEPTEMBER 29, 1981

HON. AUGUSTUS F. HAWKINS,
Chairman, House Administration Committe, Washington, D.C.

DEAR MR. CHAIRMAN: As the Executive Director of the Republican Study Committee, I wish to express my views on the proposed regulations for Legislative Service Organizations.

I fully support the premise that something must be done to control the rapid proliferation and the variety of operating styles of congressional caucuses and informal groups. The integrity of the House and the public interest must be safeguarded. The findings of the Better Government Association clearly indicate procedures by some groups which leave the door open to at least an opportunity for improper benefits and influence for special groups.

In general, I support the proposed regulations which draw a clear line between inside and outside groups. My only reservations center on the historical tendency of Congress to over-react when trying to correct a deficiency. I urge careful attention to avoid requiring *unnecessary* reports or controls. Every new rule requires staff effort for compliance, review and enforcement. New requirements to collect and furnish data which is already collected and available in another format is a waste.

We should be careful to protect and preserve the opportunity for cost effective shared staff arrangements which serve as legitimate extensions of Member legislative operations. However, those groups which comprise externally-funded lobbying operations should be so identified and forced to compete in the arena of other private lobbyists.

I commend the House Administration Committee for including consideration of the fine work done by the Better Government Association in its review of LSO guidelines. If I may be of any assistance on this matter, please call on me.

Sincerely,

RICHARD B. DINGMAN,
Executive Director.

THE HONORABLE PATRICIA SCHROEDER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

SEPTEMBER 21, 1981

Hon. AUGUSTUS HAWKINS,
Chairman, Committee on House Administration,
Washington, D.C.

DEAR CHAIRMAN HAWKINS: I want to take this opportunity to provide additional commentary, in my capacity as an individual member, on the committee's proposed regulations on legislative service organzations.

First, the regulations should at least be as comprehensive as those regulations and standards of official conduct that govern committees and individual members.

Second, the committee should consider restrictions on the use of congressional names, insignia, and seals by non-congressional organizations. Not much will be gained by the proposed regulations if the legislative service organizations—name, letterhead, seal, and all—move into 501(c)(3) or similar structures.

Sincerely,

PATRICIA SCHROEDER,
Congresswoman.

DRAFT OF SEPTEMBER 16, 1981

LEGISLATIVE SERVICE ORGANIZATIONS

A Legislative Service Organization is a grouping of Members who pool resources to pursue a common goal. The organization thus formed operates as an extension of their individual offices, and coordinates their efforts for reasons of efficiency and effectiveness. Since such organizations are extensions of Members' offices, the staff may be paid from the Clerk Hire Allowance and administrative support costs may be paid from the Official Expenses Allowance. In addition, Members are allowed to pay dues or assessments to these organizations to ensure a dependable and consistent resource to pay fluctuating administrative costs, the management of which would otherwise be burdensome to the membership.

PROPOSED REGULATION

1. For purposes of this regulation a Legislative Service Organization is defined as any congressional caucus, committee, coalition or similar group which—

(a) Consists solely of Members of the House or Members of the House and Senate;

(b) Is operated solely to provide legislative services or other assistance to the Members thereof in the performance of their official duties;

(c) Receives support from Members of Congress via their allowances, or from the House itself in the form of office space, furniture, furnishings, telephone service, etc.;

(d) Receives no income or contributions, either in cash or in-kind, from any source other than specified in subparagraph (c) and paragraph 5;

(e) Is not incorporated and/or does not hold a separate tax-exempt status under the Internal Revenue Code; and

(f) Is sponsored by 30 Members of the House or two-thirds of the organization's total membership, whichever is less, who shall attest, in a statement filed with the House Administration Committee within six months after establishment and by May 1 of each even-numbered year thereafter, that the organization provides bona fide legislative services or assistance which assist them in the performance of their official duties.

2. Any organization which meets the criteria set forth in paragraph 1 may be granted status as a Legislative Service Organization by the House Administration Committee and shall comply with all applicable regulations and House Rules.

3. Any caucus, committee, coalition or similar group organized to provide legislative service which receives contributions or any form of income, either direct or in-kind, from any source other than Members of Congress through their allowances, shall not be located in space under control of the House and shall receive no other support from the House or from Members of the House via their allowances.

4. Any Legislative Service Organization which pays its employees directly in addition to or instead of paying them through clerk-hire provided by Members, shall withhold Federal income and F.I.C.A. taxes and D.C. unemployment compensation taxes as are required by Federal and D.C. statutes. However, the total sum paid to any employee from all sources shall not exceed the highest rate of basic pay, as in effect from time to time, of level IV of the Executive Schedule in section 5315 of title 5, United States Code.

5. A Legislative Service Organization which collects dues or assessments from its Members may not use such dues or assessments as a source of additional income.

6. A Legislative Service Organization may receive payments from persons outside of Congress who receive copies of written reports, analyses, etc., which the organization provides its members. However, such payments shall not exceed the amount expended for postage to mail reports to persons making such payments.

7. No Legislative Service Organization shall distribute to Members of Congress any report, analysis or other research material prepared in whole or in part by persons other than persons employed by said Legislative Service Organization, unless the identity of the person and/or organization which prepared or assisted in the preparation of said research material is fully disclosed thereon.

8. Each Legislative Service Organization shall submit a quarterly report to the Clerk of the House not later than 30 days after the end of the reporting period which shall be available to the public through the Office of Records and Registration. Each report shall contain:

(a) The name, address, and officers of the organization;

(b) Total receipts for the quarter including clerk-hire, and a summary of said receipts by category (e.g., clerk-hire, dues, research fees, etc.);

(c) Total disbursements for the quarter plus a listing of the recipient, purpose and amount of all disbursements in excess of $500 in the aggregate during the quarter, and a summary of said disbursements by category (e.g. salaries, telephone, supplies, etc.);

(d) A listing of the name, address, and duties of all persons employed by the organization who received compensation, either directly or indirectly, during the quarter and the dates of their employment;

(e) The amount, if any, paid by individual non-congressional recipients of reports produced by the organization, the total amount received in such payments during the quarter, and the amount of postage paid during the quarter to mail reports to persons making such payments.

(f) A general description of the legislative services or other assistance which the LSO provided to its members during the quarter;

(g) A listing of all reports, analyses or other material provided to members during the quarter which were prepared in whole or in part by persons other than persons employed by said Legislative Service Organization, and the identity of the person and/or entity which provided such assistance; and

(h) A copy of the sponsorship statement required by subparagraph 1(f).

9. This regulation shall not apply to informal pool arrangements whereby Members share staff in accord with other regulations promulgated by the House Administration Committee governing the use of Members' Clerk-Hire.

10. The effective date of these regulations shall be January 1, 1982.

DRAFT OF OCTOBER 2, 1981

LEGISLATIVE SERVICE ORGANIZATIONS

A Legislative Service Organization is a grouping of Members who pool resources to pursue a common goal. The organization thus formed operates as an extension of their individual offices, and coordinates their efforts for reasons of efficiency and effectiveness. Since such organizations are extensions of Member's offices, the staff may be paid from the Clerk Hire Allowance and administrative support costs may be paid from the Official Expenses Allowance. In addition, Members are allowed to pay dues or assessments to these organizations to ensure a dependable and consistent resource to pay fluctuating administrative costs, the management of which would otherwise be burdensome to the membership.

PROPOSED REGULATION

1. For purposes of this regulation a Legislative Service Organization is defined as any congressional caucus, committee, coalition or similar group which—

(a) Consists solely of Members of the House or Members of the House and Senate;

(b) Is operated solely to provide legislative services or other assistance to the Members thereof in the performance of their official duties;

(c) Receives support from Members of Congress via their allowances, or from the House itself in the form of office space, furniture, furnishings, telephone service, etc.;

(d) Receives no income or contributions, either in cash or in-kind, from any source;

(e) Is neither incorporated nor a separate tax-exempt status under the Internal Revenue code; and

(f) Is sponsored by 30 Members of the House or two-thirds of the organization's total membership, whichever is less, who shall attest, in a statement filed with the House Administration Committee at establishment and by May 1 of each even-numbered year thereafter, that the organization provides bona fide legislative services or assistance which supports them in the performance of their official duties.

2. Any organization which meets the criteria set forth in paragraph 1 may be granted status as a Legislative Service Organization by the House Administration Committee and shall comply with all applicable regulations and House Rules.

3. Any caucus, committee, coalition or similar group organized to provide legislative service which receives contributions or any form of income, either direct or in-kind, from any source other than Members of Congress through their allowances, shall not be located in space under control of the House and shall receive no other support from the House or from Members of the House via their allowances.

4. Any Legislative Service Organization which pays its employees directly in addition to or instead of paying them through clerk-hire provided by Members, shall withhold Federal income and F.I.C.A. taxes and D.C. unemployment compensation taxes as are required by Federal and D.C. statutes. However, the rate of pay of any employee derived from all sources shall not exceed the highest rate of basic pay, as in effect from time to time, of level IV of the Executive Schedule in section 5315 of title 5, United States Code.

5. When a Member authorizes a person working for a legislative service organization to be compensated in part or in full from said Member's Clerk Hire Allowance, the Clerk of the House shall disburse salary payments to such employee only upon a monthly certification by said Member of the identification of the legislative service organization for which the employee has performed duties. This certification shall be included as part of the Member's monthly Clerk Hire Allowance certification. And, in addition, the Clerk of the House shall disburse salary payments from the Clerk Hire Allowance of said Member to such person only upon a monthly certification by the Chariman or senior House Member of the organization as to the amount of said salary, the physical location of each employee, the regular performance of official duties, the identification of said Member, and the relationship or each employee to any current Member of Congress.

6. A Legislative Service Organization which collects dues or assessments from its Members may not use such dues or assessments as a source of additional income.

7. No Legislative Service Organization shall distribute to Members of Congress any report, analysis or other research material prepared in whole or in part by persons other than persons employed by said Legislative Service Organization, unless the identity of the person and/or organization which prepared or assisted in the preparation of said research material is fully disclosed thereon.

8. Each Legislative Service Organization shall submit a quarterly report to the Clerk of the House not later than 30 days after the end of the reporting period which shall be available to the public through the Office of Records and Registration. Each report shall contain:

(a) The name, address, and officers of the organization;

(b) Total receipts for the quarter including clerk-hire, and a summary of said receipts by category (e.g., clerk-hire, dues, research fees, etc.);

(c) Total disbursements for the quarter plus a listing of the recipient, purpose and amount of all disbursements in excess of $500 in the aggregate during the quarter, and a summary of said disbursements by category (e.g., salaries, telephone, supplies, etc.);

(d) A listing of the name, address, and duties of all persons employed by the organization who received compensation, either directly or indirectly, during the quarter and the dates of their employment;

(e) The amount, if any, paid by individual noncongressional recipients of reports produced by the organization, the total amount received in such payments during the quarter, and the amount of postage paid during the quarter to mail reports to persons making such payments.

(f) A general description of the legislative services or other assistance which the LSO provided to its members during the quarter;

(g) A listing of all reports, analyses or other material provided to members during the quarter which were prepared in whole or in part by persons other than persons employed by said Legislative Service Organization, and the identity of the person and/or entity which provided such assistance; and

(h) A copy of the sponsorship statement required by subparagraph 1(f).

9. This regulation shall not apply to informal pool arrangements whereby Members share staff in accord with other regulations promulgated by the House Administration Committee governing the use of Members' Clerk-Hire.

10. The effective date of these regulations shall be January 1, 1983.

DRAFT OF OCTOBER 5, 1981

LEGISLATIVE SERVICE ORGANIZATIONS

A Legislative Service Organization is a grouping of Members who pool resources to pursue a common goal. The organization thus formed operates as an extension of their individual offices, and coordinates their efforts for reasons of efficiency and effectiveness. Since such organizations are extensions of Members' offices, the staff may be paid from the Clerk Hire Allowance and administrative support costs may be paid from the Official Expenses Allowance. In addition, Members are allowed to pay dues or assessments to these organizations to ensure a dependable and consistent resource to pay fluctuating administrative costs, the management of which would otherwise by burdensome to the membership.

PROPOSED REGULATION

1. For purposes of this regulation a Legislative Service Organization is defined as any congressional caucus, committee, coalition or similar group which—

(a) Consists solely of Members of the House or Members of the House and Senate;

(b) Is operated solely to provide legislative services or other assistance to the Members thereof in the performance of their official duties;

(c) Receives support from Members of Congress via their allowances, or from the House itself in the form of office space, furniture, furnishings, telephone service, etc.;

(d) Receives no income or contributions, either in cash or in-kind, from any source other than the Congress or its Members, except as noted in paragraphs 3 and 8;

(e) Is neither incorporated nor holds a separate tax-exempt status under the Internal Revenue code;

(f) Is sponsored by 30 Members of the House or two-thirds of the organization's total membership, whichever is less, who shall attest, in a statement filed with the House Administration Committee at establishment and by May 1 of each even-numbered year thereafter, that the organization provides bona fide legislative services or assistance which supports them in the performance of their official duties.

2. Any organization which meets the criteria set forth in paragraph 1 may be granted status as a Legislative Service Organization by the House Administration Committee and shall comply with all applicable regulations and House Rules.

3. Legislative Service Organization may take advantage of educational intern, fellowship or volunteer programs when the programs are primarily of educational benefit to the participating interns, fellows or volunteers. However, the Legislative Service Organization may not raise, receive or disburse any private contributions for programs associated with it.

4. Any caucus, committee, coalition or similar group organized to provide legislative service which receives contributions or any form of income, either direct or in-kind, from any source other than the Congress or its Members (except as noted in paragraphs 3 and 8) shall not be located in space under control of the House and shall receive no other support from the House or from Members of the House via their allowances.

5. Any Legislative Service Organization which pays its employees directly in addition to or instead of paying them through clerk-hire provided by Members, shall withhold Federal income and F.I.C.A. taxes and D.C. unemployment compensation taxes as are required by Federal and D.C. statutes. However the rate of pay of any employee derived from all sources shall not exceed the highest rate of basic pay as in effect from time to time, of level IV of the Executive Schedule in section 5315 of title 5, United States Code.

6. When a Member authorizes a person working for a legislative service organization to be compensated in part or in full from said Member's Clerk Hire Allowance, the Clerk of the House shall disburse salary payments to such employee only upon a monthly certification by said Member of the identification of the legislative service organization for which the employee has performed duties. This certification shall be included as part of the Member's monthly Clerk Hire Allowance certification. And, in addition, the Clerk of the House shall disburse salary payments from the Clerk Hire Allowance of said Member to such person only upon a monthly certification by the Chairman or senior House Member of the organization as to the amount of said salary, the physical location of each employee, the regular performance of official duties, the identification of said Member, and the relationship of each employee to any current Member of Congress.

7. A Legislative Service Organization which collects dues or assessments from its Members may not use such dues or assessments as a source of additional income.

8. Legislative Service Organizations may distribute to Members of Congress any report, analysis or other research material prepared in whole or in part by persons other than persons employed by said Legislative Service Organization. However, the identity of the person and/or organization which prepared or assisted in the preparation of said research material shall be fully disclosed theron.

9. Each Legislative Service Organization shall submit a quarterly report to the Clerk of the House not later than 30 days after the end of the reporting period

which shall be available to the public through the Office of Records and Registration. Each report shall contain:

(a) The name, business address, and officers of the organization;

(b) Total receipts for the quarter including clerk-hire, and a summary of said receipts by category (e.g., clerk-hire, dues, research fees, etc.);

(c) Total disbursements for the quarter plus a listing of the recipient, purpose and amount of all disbursements;

(d) A listing of the name, business address, and duties of all persons employed by the organization, their total compensation during the quarter and the dates of their employment;

(e) A schedule of fees charged for publications, reports and analyses available to non-congressional receipts and the total amount received in such fees during the quarter;

(f) A general description of the legislative services or other assistance which the LSO provided to its members during the quarter;

(g) A listing of all reports, analyses or other material provided to members during the quarter which were prepared in whole or in part by persons other than persons employed by said Legislative Service Organizations, and the identity of the person and/or entity which provided such assistance; and

(h) A copy of the sponsorship statement required by subparagraph 1(f).

10. This regulation shall not apply to informal pool arrangements whereby Members share staff in accord with other regulations promulgated by the House Administration Committee governing the use of Members' Clerk-Hire.

11. The effective date of these regulations shall be January 1, 1983.

OPTIONAL PUBLICATION LANGUAGE

A Legislative Service Organization may receive payments from persons outside of Congress who receive copies of written reports, analyses, etc., which the organization provides its members. However, such payments shall not exceed the anticipated amount to by expended for postage to mail reports to persons making such payments.

A Legislative Service Organization may receive payments from persons outside Congress who receive copies of written reports, analyses, etc., which the organization provides its members. However, such payments shall not exceed the amount which Members of Congress are required to pay for such reports, or

A Legislative Service Organization may receive payments from persons outside Congress who receive copies or written reports, analyses, etc., which the organization provides its members. However, the amount of such payments must be approved by the Committee on House Administration and shall be limited to the direct incremental cost of producing such reports and analyses and shall not include the cost of employees of the Legislative Service Organization.

Draft of October 7, 1981

LEGISLATIVE SERVICE ORGANIZATIONS

A legislative Service Organization is a grouping of Members who pool resources to pursue a common legislative goal. The organization thus formed operates as an extension of their individual offices, and coordinates their efforts for reasons of efficiency and effectiveness. Since such organizations are extensions of Members' offices, the staff may be paid from the Clerk Hire Allowance and administrative costs may be paid in the form of dues or assessments from the Allowance for Official Expenses. Members are allowed to pay dues or assessments from personal funds or their Allowances for Official Expenses to ensure a dependable resource to pay fluctuating administrative costs, the management of which would otherwise be burdensome to the membership.

PROPOSED REGULATION

1. For purposes of this regulation a Legislative Service Organization is defined as any congressional caucus, committee, coalition or similar group which—

(a) Consists solely of Members of the House or Members of the House and Senate;

(b) Is operated solely to provide legislative services or other assistance to the Members thereof in the performance of their official duties;

(c) Receives support from Members of Congress via their allowances, or from the House itself in the form of office space, furniture, furnishings, telephone service, etc.;

(d) Receives no income or contributions, either in cash or in-kind, from any source other than the Congress or its Members, except as noted in paragraphs 3 and 8;

(e) Is neither incorporated nor holds a separate tax-exempt status under the Internal Revenue Code;

(f) Is sponsored by 30 Members of the House or two-thirds of the organization's total membership, whichever is less, who shall attest, in a statement filed with the Committee on House Administration at establishment and by May 1 of each even-numbered year thereafter, that the organization provides bona fide legislative services or assistance which supports them in the performance of their official duties.

2. Any organization which meets the criteria set forth in paragraph 1 shall be granted status as a Legislative Service Organization by the Committee on House Administration and shall comply with all applicable regulations and House Rules.

3. Legislative Service Organizations may take advantage of educational intern, fellowship or volunteer programs when the programs are primarily of educational benefit to the participating interns, fellows or volunteers. However, the Legislative Service Organization may not raise, receive or disburse any private contributions for programs associated with it.

4. Any caucus, committee, coalition or similar group organized to provide legislative service which receives contributions or any form of income, either direct or in-kind, from any source other than the Congress or its Members (except as noted in paragraphs 3 and 8) shall not be located in space under control of the House and shall receive no other support from the House or from Members of the House via their allowances.

5. Any Legislative Service Organization which pays its employees directly in addition to or instead of paying them through clerk-hire provided by Members, shall withhold Federal income and F.I.C.A. taxes and D.C. unemployment compensation taxes as are required by Federal and D.C. statutes. However, the rate of pay of any employee derived from all sources shall not exceed the highest rate of basic pay, as in effect form time to time, of level IV of the Executive Schedule in section 5315 of title 5, United States Code.

6. When a Member authorizes a person working for a legislative service organiztion to be compensated in part or in full from said Member's Clerk Hire Allowance, the Clerk of the House shall disburse salary payments to such employee only upon a monthly certification by said Member of the identification of the legislative service organization for which the employee has performed duties. This certification shall be included as part of the Member's monthly Clerk Hire Allowance certification. And, in addition, the Clerk of the House shall disburse salary payments from the Clerk Hire Allowance of said member to such person only upon a monthly certification by the Chairman or senior House Member of the organization as to the amount of said salary, the physical location of each employee, the regular performance of official duties, the identification of said Member, and the relationship of each employee to any current Member of Congress.

7. A Legislative Service Organization which collects dues or assessments from its Members may not use such dues or assessments to generate additional income from other sources (e.g. interest bearing accounts, certificates of deposit, etc.).

8. Legislative Service Organizations may distribute to Members of Congress any report, analysis or other research material prepared in whole or in part by persons other than persons employed by said Legislative Service Organization. However, the identity of the person and/or organization which prepared or assisted in the preparation of said research material shall be fully disclosed thereon.

9. Each Legislative Service Organization shall submit a quarterly report to the Clerk of the House not later than 30 days after the end of the reporting period which shall be available to the public through the Office of Records and Registration. Each report shall contain:

(a) The name, business address, and officers of the organization;

(b) Total receipts for the quarter including clerk-hire, and a summary of said receipts by category (e.g., clerk-hire, or dues);

(c) Total disbursements for the quarter plus a listing of the recipient, purpose and amount of all disbursements;

(d) A listing of the name, business address, and duties of all persons employed by the organization, their total compensation during the quarter and the dates of their employment;

(e) Name and sponsor of all interns, fellows or volunteers associated with the Legislative Service Organization under the provision of paragraph 3 of these regulations.

(f) A general description of the legislative services or other assistance which the Legislative Service Organization provided to its members during the quarter;

(g) A listing of all reports, analyses or other material provided to members during the quarter which were prepared in whole or in part by persons other than persons employed by said Legislative Service Organization, and the identity of the person and/or entity which provided such assistance; and

(h) A copy of the sponsorship statement required by subparagraph 1(f).

10. This regulation shall not apply to informal pool arrangements whereby members share staff in accord with other regulations promulgated by the Committee on House Administration governing the use of Members' Clerk-Hire.

11. The effective date of these regulations shall be January 1, 1983.

CORRESPONDENCE RELATING TO DRAFT OF OCTOBER 7, 1981

BETTER GOVERNMENT ASSOCIATION

OCTOBER 14, 1981

Hon. WILLIAM R. RATCHFORD,
Chairman, Ad Hoc Subcommittee on Legislative Service Orgaanizations,
Washington, D.C.

DEAR CHAIRMAN RATCHFORD: Thank you again for affording us the opportunity to testify before your subcommittee on October 1. We appreciate having the chance to review and comment on the proposed regulations.

We have studied the subcommittee's proposal, and with the exception of a few technical comments mentioned below, we wholeheartedly support it. The implementation of these regulations should resolve the ethical problems surrounding the activities of legislative service organizations. Groups of congressmen acting together will no longer be able to do what is prohibited to an individual Member.

In making these suggestions our intent is to make certain sections more precise. First, the preamble states, "*the staff may be paid from the Clerk-Hire allowance and administrative costs may be paid in the form of dues or assessments. . .*" This statement appears to be in conflict with the provisions of paragraph number five which specifies what procedures an LSO must follow in directly paying an employee instead of or in addition to clear-hire. Perhaps the preamble could be amended to read, "staff may be paid from the Clerk-Hire allowance or directly from dues or assessments."

Second, 1(c) lists the various forms of support provided by Members of Congress or the House itself. We would recommend that the words "*congressional*" *and* "*the use of the Official Seal of the House*" be inserted before the word "etc." This change merely makes explicit two important forms opf support currently provided to an LSO.

Finally, the original proposal considered by your subcommittee limited LSOs to the recoupment of only postage costs when mailing newsletters or other publications. The present proposal in 1(d) appears to eliminate the recovery of even these costs. We do not oppose a return to the original language, but we do recommend that the words "subscription fees" be inserted so that there would be no question that these fees are part of this ban on outside income.

Again, we congratulate the subcommittee for its work in developing these much needed regulations.

Sincerely,

J. TERRENCE BRUNNER,
Executive Director, BGA.

CONGRESSIONAL RURAL CAUCUS

OCTOBER 14, 1981

Hon. WILLIAM R. RATCHFORD,
Chairman, Ad Hoc Subcommittee on Legislative Service Organizations, House Committee on House Administration, Washington, D.C.

DEAR BILL: We commend you, your Subcommittee, and Staff for dealing with Legislative Service Organizations in a positive responsible manner.

The proposed regulations attached to your memorandum of October 7 appear to be in order and responsive to the need for more effective control in the administrative, operational, and financial activities of Legislative Service Organizations in accordance with the rules of the House.

We will continue to provide positive input to insure such intent and purposes.

Thank you.

WES WATKINS, *Chairman.*

CONGRESSIONAL TRAVEL AND TOURISM CAUCUS

OCTOBER 14, 1981

Hon. BILL RATCHFORD,
Chairman, Ad Hoc Subcommittee on LSO's, Committee on House Administration, Washington, D.C.

DEAR CHAIRMAN RATCHFORD: Thank you for forwarding a copy of the most recent draft (October 7, 1981) of the proposed regulations on Legislative Service Organizations. We very much appreciate the opportunity to review and comment on this proposal.

You have previously received our September 16, and October 6, 1981 communications concerning this topic. Since the October 7, 1981 Ad Hoc Subcommittee proposed draft regulations have not changed substantially from the September 11, 1981 draft, addressed in our previous communication we would direct you to our previously submitted letters which are attached. The additional comments, which follow, address the changes of interest contained in the most recent version.

First and foremost we want to compliment the Subcommittee on realizing that the original deadline for implementing any new regulation must be a reasonable one. The "January 1, 1983" effective date, contained in the October 7, 1981 draft, should provide sufficient time for LSO's to adjust to new regulations, change its charter and bylaws, consider the levy of increased dues, solicit members' clerk hire and official allowance funds etc., without unduly disrupting the services provided its members.

Second, if in the subcommittee's wisdom you decide to restrict the investment of idle LSO funds, collected as dues or assessment from its members, you may wish to consider setting up LSO accounts in the House Finance Office using a voucher system similar to that used by members' offices for payment of expenses. This would provide for government use of these idle funds until they are expended for legitimate LSO purposes.

Finally, you may wish to implement those provisions of the regulations which relate to more detailed and comprehensive reporting procedures for LSO's earlier than the effective date of January 1, 1983. This would not disrupt the LSO activities, still allow for a smooth transition yet immediately provide for more appropriate public disclosure activities.

In summary let us once again note the Caucus' support for the Subcommittee's efforts and our readiness to comply with whatever new regulations may be adopted. We look forward to working with you in ensuring a fair and reasonable approach to regulating Legislative Service Organizations.

Sincerely,

JAMES D. SANTINI,
Chairman.

ROBERT E. BADHAM,
Vice Chairman.

DEMOCRATIC STUDY GROUP

OCTOBER 14, 1981

Hon. WILLIAM R. RATCHFORD,
Chairman, Ad Hoc Committee on Legislative Service Organizations, Cannon House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for the opportunity to comment on the most recent draft of proposed regulations on Legislative Service Organizations. I would like to comment on four aspects of the proposed regulations, as follows:

OUTSIDE SUBSCRIPTION FEES

The Subcommittee seems to have adopted an unnecesssarily extreme position with respect to outside subscription fees. Some 300 non-congressional recipients currently subscribe to DSG research services. The Subcommittee's proposal would therefore face us with a Hobson's choice—either pay such costs ourselves or cease sending reports to persons outside the House.

LSO's should be allowed to recover the costs of sending reports to persons outside the House. As long as such fees do not exceed the cost of mailing reports to outside recipients, they would not produce any profit or net gain for the LSO and therefore would not constitute a contribution or support by non-congressional sources.

I therefore urge the Subcommittee to reconsider its decision in this matter.

REPORTING REQUIREMENTS

The reporting requirements contained in the new proposal appear to be unnecessarily burdensome and will significantly increase our workload. The number of reports we must file is doubled, the level of detail required in each report is quadrupled, but the amount of time allowed to prepare each report is cut in half.

With respect to reporting disbursements, the Subcommittee seems to have gone from one extreme to another—from only requiring disclosure of disbursements in excess of $1,000 to requiring itemization of all disbursements regardless of how small. It would seem to me that something like a $300 threshold would be more than adequate to assure accountability.

Additionally, I would point out that the provision requiring a listing of staff compensation is duplicative in that all clerk-hire payments are listed in the Quarterly Report of the Clerk of the House while direct payments from the LSO are reported as a disbursement in the LSO's quarterly report.

Finally, with respect to the deadline for filing the quarterly report after the end of the reporting period, I suggest the Committee either allow more time or authorize the Clerk to grant an extension on request of an LSO.

USE OF TEMPORARILY IDLE FUNDS

The proposal prohibiting use of funds received from Members' allowances to generate additional income from other sources (e.g., interest bearing accounts) seems to be unjustifiable.

I understand the Subcommittee reached its decision to prohibit LSOs from earning interest income because there is no authority for individual Members to draw on their official allowances to deposit funds in interest bearing accounts and on grounds that there is no other precedent for such activity. I would disagree on both counts.

Members who voucher funds to DSG do so to purchase a service that is extremely important to them in carrying out their official responsibilities. In so doing, the money changes hands and can therefore be viewed as losing its status as official funds. Thus, the fact that Members cannot use their official allowances to generate other income is irrelevant. The funds paid to DSG and other groups are no different than the funds Members pay to receive Congressional Quarterly or the New York Times. The Committee may properly impose restrictions on LSOs and the use of LSO funds as a matter of policy, but it is difficult to see any basis for claiming that LSO funds cannot be used for a certain purpose on the grounds that they are still official funds.

I might note that Paragraph 5 of the proposed regulation seems to go in both directions with respect to this principle. In recognizing that funds derived from Members' official expense allowances may be used to pay staff salaries, Paragraph 5 acknowledges that certain restrictions which apply to use of such funds by individual Members do not apply to their use by an LSO. However, in placing a limitation on the amount of compensation which may be paid to an LSO employee, the paragraph seems to go in the other direction, justifying the limitation on the fact that all compensation received by an LSO employee initially emanated from official funds. I question this basis for the limitation, however, it can be justified as a simple matter of policy designed to assure that compensation of LSO employees is in line with that of other Congressional employees.

Secondly, regarding other precedents for investment of funds, I would cite the majority and minority printers in the House. Like LSOs, both printing operations are located inside the House and like LSOs both receive the bulk of their income from Members' official allowances. But unlike LSOs, printers may use the income derived from Members' allowances not only to generate interest income but also to invest in rental property.

DSG's primary role is to provide legislative and issue research to more than 250 Members of the House. Given the number of Members we service, simple efficiency requires that the primary source of funding be payment of an annual research assessment. This results in the accumulation of a sizeable amount of money early in the year which is then dispersed as needed to pay staff salaries and other operating costs over the remainder of the year.

We should not be forced to place these temporarily idle funds in a non-interest bearing account where a private banking institution will reap unwarranted benefits. Instead, we should be allowed to receive interest income from such funds as a means of holding down the cost of DSG services to Members and the taxpayer.

I therefore urge the Subcommittee to reconsider this matter.

EFFECTIVE DATE

I note the proposed effective date for the new regulation is January 1, 1983. Given the long lead time involved, I would suggest that more time be allowed to assess ramifications of the proposed changes and to more fully explore possible options.

For example, since DSG is already totally funded through Members' clerk-hire and official expense allowances, we are not significantly impacted by the major thrust of the proposed regulation. However, it is unclear how we will be affected by various other proposals and the overall thrust of the new regulation.

I think it would be totally indefensible if DSG or any other organization which has operated responsibly and effectively—and to the credit of the House and its Members—for many years, should be adversely affected or lose status as a result of regulations designed to curb the excesses of one or two new groups.

OTHER CHANGES

Following are other changes, mostly technical and perfecting, you may wish to consider:

Paragraph 1 (f)—the requirement that a sponsorship statement be filed "at establishment" rather than at some period, say three months, after establishment means that Members are asked to attest to something ("bona fide legislative services or assistance which supports them in the performance of their official duties") which they have yet to receive or have just started receiving.

Paragraph 4—the phrase "Any Caucus, Committee, coalition or similar group organized to provide legislative service" seems to be a rather narrow definition and could therefore create a loophole. For example, one might contend that a Caucus organized to lobby would not be covered. Also, why limit the prohibition strictly to LSOs? Are there other entities within the House which may receive outside income or contributions?

Paragraph 5—this provision is defective as it is presently written in that D.C. law does not require withholding of unemployment compensation taxes, merely their payment. I suggest the original language be used.

Paragraph 6—I would recommend substituting the word "ranking" for the word "senior" in the fifth line from the bottom and also that the remainder of the paragraph be amended to conform to the actual certification signed by LSO chairmen in which the chairman certifies that the LSO employees "perform assigned official duties in Washington, D.C." rather than specifying "the physical location of each employee" and "the regular performance of official duties." Also, it should read "relationship, *if any*, of each employee to any current Member of Congress."

Paragraph 8—this sounds like LSOs are being invited or encouraged to serve as conduits for materials prepared by lobby groups, etc. I think it read more appropriately as a prohibition, as originally drafted. Also, I would suggest inserting the phrase "and prominently" after the word "fully" on the last line.

Paragraph 9 (d)—to avoid misunderstandings, you may want to use some phrase like "job title" rather than the word "duties."

Paragraph 9 (e)—you may want to add a sentence requiring identification of the employer of any intern, fellow or volunteer who is otherwise employed, even though he or she may be on leave of absence at the time they are working for the LSO.

Thank you again for your consideration.

Sincerely,

WILLIAM M. BRODHEAD, *Chairman.*

ENVIRONMENTAL AND ENERGY STUDY CONFERENCE

OCTOBER 9, 1981

Hon. BILL RATCHFORD,
Chairman, Ad Hoc Subcommittee on Legislative Service Organizations, Hon. Al Swift and Hon. Gary Lee.

The Oct. 7, 1981, draft rule represents a significant improvement in many respects, and we want to commend you for your efforts.

We especially support the changes made to take into account differences in Senate procedures and to extend the effective date to Jan. 1, 1983.

We remain concerned about the regulation's total ban on any outside funds. This will mean that the conference will attempt to stop sending our reports off the Hill (except to a few key people in the executive branch and the private sector that we work with).

We simply will not be able to justify spending any of our Members' scarce resources on postage, labor, paper, etc., to provide reports to lobbyists, the press and others.

Nevertheless, many of these people will ask their Congressmen to ask the conference to put them on the mailing list. And the conference will be hard pressed to refuse.

The result is that we will inevitably end up sending thousands of reports to the outside, using up our Members' clerkhire and dues to serve these outsiders, even though that is not our mandate.

We understand and appreciate the difficulty in addressing this problem. We have suggested several safeguards and would respectfully urge you to reconsider them.

Representative PAUL N. MCCLOSKEY, Jr.
Co-Chairman.

Representative HOWARD WOLPE,
Co-Vice Chairman.

FEDERAL GOVERNMENT SERVICE TASK FORCE

OCTOBER 14, 1981

Hon. WILLIAM RATCHFORD,
Chairman, Task Force on Legislative Service Organizations, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for the opportunity to respond to the revised regulations for LSOs forwarded to the Federal Government Service Task Force on October 7, 1981. As Task Force chairman, I would like to congratulate you on your efforts to develop regulations that will enable legislative service organizations to function openly and effectively.

I have two questions about the revised regulations. With respect to proposed regulation 1(e) prohibiting a Task Force from holding tax exempt status under the I.R.C., would the Task Force be precluded from publishing a newsletter for which it charged a subscription fee covering production costs, including labor? The Task Force currently publishes a newsletter for which a subscription is charged to cover these costs. I believe that the newsletter greatly improves Task Force Members' communication with Federal employee constituents. If the proposed LSO regulations substantially altered our present non-profit funding arrangement, the Task Force would be forced to discontinue publishing the newsletter. I would urge an interpretation of the proposed regulations that did not limit Members' ability to communicate with their constituents through such vehicles. Reporting requirements proposed in the revised regulations would safeguard against improper use of publication privileges.

Second, proposed regulation No. 6 establishes disbursement procedures for clerk hire to LSO staff. These procedures include monthly certification by the LSO's chairman of staff salaries, duties, etc. Will the Chair be able to certify such information in a timely manner in order to avoid delay in salary payments to staff? If delays through this procedure seem likely, I would recommend that disbursement of salaries be withheld only in those instances in which the previous months' certification is not in order.

Thank you for your assistance and leadership on this important matter.

Sincerely,

MICHAEL D. BARNES,
Federal Government Service
Task Force Chairman.

MEMBERS OF CONGRESS FOR PEACE THROUGH LAW

OCTOBER 14, 1981

Hon. WILLIAM R. RATCHFORD,
Chariman, Ad Hoc Subcommittee on Legislative Service Organizations, Committee on House Administration, Washington, D.C.

DEAR BILL: We have received the most recent draft of proposed regulations affecting Legislative Service Organizations. We are in full support of the major purpose and thrust of the regulations, not only to prohibit for caucuses any activities which are prohibited for Members, but also to limit the use of Congressional office space to operaitons which are bona fide legislative service and Congressional operations, and which are funded *in toto* by Congressional monies.

However, we encourage you to broaden your review to address another aspect of the problem. In view of the fact that a major, and proper, purpose of the regulations—following the report by the Better Government Association—is to bar non-Congressional operations from House space, we are concerned that your committee may either be being selective in its application of the rule, or be inadequately defining the new rule. Entities other than LSOs, such as the Post Office, the Western Union office, the Majority and Minority printers, and most important the several liaison offices for the executive branch, which are either privately incorporated or receive non-Congressional funds, are presently housed in Congressional space; yet, because they are not classified as LSOs, they will not be subject to your regulations, and thus will be allowed to retain House office space.

This situation, if allowed, presents a double standard in which harsher criteria are applied to LSOs than to other entities. We believe this situation is counter to the thrust of your regulations, counter to the integrity and propriety of the Congress, and, most important, counter to the Constitutional doctrine of separation of powers.

It may be argued that the Post Office and perhaps the telegram service and the Majority and Minority printers provide indispensable services to Members. While we have concerns about these services, our major concern is with the liaison offices for five executive branch agencies, whose existence in the Congress is based on outdated reasoning and disregard of the Constitution. We believe it was an error to have allowed them to have Congressional space in the first place, but suggest that your regulations on LSOs and your overall review provide an appropriate opportunity to redress this error.

Five agencies of the executive branch presently occupy some 5,000 square feet of choice office space in the Rayburn House Office Building. (Additional space is occupied in the Senate.) The majority of these offices are occupied by three branches of the Department of Defense: the Army, Navy and Air Force. It is our understanding that approximately 38 executive branch employees work out of these offices, on either a full or part-time basis. Again, a large majority of these are DOD employees, although the Veterans Administration and the Office of Personnel Management also have representatives on the Hill.

Historically, these liaison offices, at least the military branch offices, justified their existence within Congress as crucial for assistance to Mmebers in military "case-work." As Congressional staffs have grown and as telecommunications have developed in sophistication, most Members recognize that the great majority of case-work is now processed in Members' District Offices, from which experts in military "case-work" deal directly with the Pentagon offices in question.

It may also be that at one time, Pentagon employees found their location across the river inaccessible to Congress, and thus justified a Hill liaison office on grounds of physical inaccessibility. This argument, with a Metro station on both Capitol Hill and directly at the Pentagon, is now clearly obsolete.

The proposition that liaison offices provide a convenient service to Members may indeed hold some merit; but if that is the case, it can fairly be asked why there should not be a HUD office in Rayburn disbursing grant applications forms for cities, or why there should not be a Social Security liaison on the Hill, when their "home" office is some 35 miles away in Baltimore.

Along with other Members, we are concerned that insofar as certain of these liaison offices are concerned, there has grown to be a grey line between assistance on "case-work," and lobbying activities for specific agency programs or budget items. We would note that any such lobbying poses not only an ethical or "propriety" question, but a legal one, since 18USC1918 secifically prohibits the use of appropriated funds for lobbying.

Above all, our argument that these liaison offices should not be housed in Congressional space is a Constitutional one. The Better Government Association has not addressed this issue specifically; but it did find extremely concerning on Constitutional grounds the notion that a Congressional caucus or its affiliate would accept grants from an executive branch agency. While the BGA report addressed primarily the problem of a group of Members seeking or accepting executive branch funds, we believe that their words apply equally to the concept of Congress as a whole subsidizing any portion of the executive. In a memorandum to your Committee, the BGA raised the issue of the doctrine of separation of powers, saying:

"This doctrine, *the philosophical cornerstone of the Constitution* (emphasis ours), calls for a scrupulous separation of governmental function among the three branches. The legislature generally may not intervene in executive functions; the executive may not interfere with the independence of the legislature. There is, of course, substantial overlap in some areas of government, and some legitimate differences of opinion about whether matters are truly legislative or truly executive in nature. Yet, *the principle itself is ironclad* (emphasis again ours): Congress may not subvert the executive branch's administration of the laws, and conversely, the executive may not use its official resources—as directed and funded by Congress—to tamper with the integrity of or impede the lawmaking process."

We believe that Congressional subsidization of liaison offices for executive branch agencies runs counter to the spirit of the separation of powers clause of the Constitution. Whether they are providing bona fide case-work assistance, or whether they are subtly peddling their influence for whatever their priority legislative item might be, they should not be granted special status within the Congress.

We hope that as you review the relatively small area of the future of Legislative Service Organizations, you will extend your review to the far more profound issue of executive branch agencies in Congressional space. Removing these offices from the Hill is a consistent and logical corollary to your proposed LSO regulations: if, as you propose, Congress should not be housing, heating and furnishing organizations which receive private contributions, then neither should it be housing, heating and furnishing organizaitons which are a part of the executive branch.

Sincerely,

Representative Jim Leach,
MCPL Vice-Chairman.

NORTHEAST-MIDWEST CONGRESSIONAL COALITION

Hon. William R. Ratchford,
Chairman, Ad hoc Subcommittee on Legislative Service Organizations.

Dear Bill: Thank you for the opportunity to review the revised draft regulations of October 7, 1981 governing the activities of legislative service organizations.

I commend the ad hoc subcommittee for its excellent work. These proposals clearly indicate that many long hours and dedicated work went into their preparation. They recognize the importance of the caucuses as an aide to the legislative process and they establish a framework within which our caucuses can fruitfully operate.

I was pleased to see that so many of the ideas discussed at the hearing have been incorporated into the draft regulations. I feel that guideline number 11, which extends the effective date of the regulations from the original January 1, 1982 deadline to January 1, 1983 is particularly essential. The 1983 date will provide the caucuses with time to revise their operating procedures to comply with the new regulations. They will be able to gradually decrease their dependence on outside support, minimizing the disruption of service to Members of Congress.

As stated in my testimony, I believe that the ad hoc subcommittee should recommend an appropriation to caucus chairs for the purpose of administrative support for legitimate caucuses. These groups receiving such appropriations should be rigorously reviewed at the beginning of every session of Congress to ensure that they continue to meet the guidelines defining legislative service organizations. Any group failing to meet these criteria should be deemed ineligible to receive Congressional funds.

As we are all aware, the pressures on Members' allowances are very high. Most members are already contributing heavily to the financial support of caucuses through their clerk-hire accounts. Without some additional assistance the important work that the caucuses have been able to perform will be curtailed or will cease.

Let me again state my strong support for the Committee's reform measures. The Committee is to be congratulated for their timely, thoughtful reforms.

Cordially,

ROBERT W. EDGAR, *Chairman.*

THE REPUBLICAN STUDY COMMITTEE

OCTOBER 13, 1981

Hon. WILLIAM R. RATCHFORD,
Chairman, Ad Hoc Subcommittee on Legislative Service Organizations, Washington, D.C.

DEAR BILL: Thank you for the opportunity to offer my comments on the proposed regulations on Legislative Service Organizations. I recognize that proliferation of groups and variety of operating procedures make some degree of regulation and clarification necessary. In addition, the findings of the Better Government Association clearly indicate that current procedures and practices by some groups may afford the opportunity for improper influence and benefits.

I especially support the attempt made by your committee to delineate between inside and outside groups. In so doing, I feel we should take care to preserve the opportunity for members to retain shared staff arrangements which directly aid the members' legislative work. However, those groups which may be in effect externally-aided lobbying operations should be identified and treated as such.

In developing standards and regulations, I would strongly urge that we bear in mind that qualifying LSOs are a legitimate aid to its members legislative work, and that qualifying LSOs are to be automatically certified and impartially treated. In addition, I would urge caution that in developing guidelines and regulations, we take steps to insure that we do not impose unnecessary or duplicative procedures and reporting requirements; to be required to collect and report data that is already available in another form is a waste.

Based on the above, and after careful study of the proposed regulations, I have the following specific comments:

1. PROPOSED REGULATION NO. 1 (D)

Change the last line to read "in paragraph 3, 8, and 11".

I propose to insert a new no. 11, addressing the matter of outside subscriptions, and renumbering the current no. 11, making it no. 12.

2. PROPOSED REGULATION NO. 2

I would urge that the wording of no. 2 be retained unchanged in full committee. If a group complies with criteria set out in paragraph 1, their certification as a Legislative Service Organization must be automatic, and not a matter of discretion.

3. PROPOSED REGULATION NO. 4

Change line 3 to read "noted in paragraphs 3, 8, and 11)" et. seq.

I propose to insert a new paragraph 11, allowing for reimbursement for postage.

4. PROPOSED REGULATION NO. 7

I believe an exception should be made in the case of qualifying LSOs in order to allow them to invest dues or assessments in accounts or certificates which generate additional interest. To prohibit such investment would result in a "gift" or "donation" in the amount of the interest which the institution holding LSO funds would otherwise have to pay.

5. PROPOSED REGULATION NO. 9 (B)

I recommend that the regulations include language stating that this requirement is not expected to engender detailed technical accounting and reporting requirements, and that only non-itemized, summary information is to be required.

6. PROPOSED REGULATION NO. 9 (C)

I suggest adding "in excess of $100 in the aggregate during the quarter." This would eliminate the necessity of reporting small disbursements from petty cash, such as reimbursement for cabs or Metro fare, although records of such disbursements would of course remain part of internal office accounting procedures.

7. PROPOSED REGULATION NO. 9 (D)

I strongly recommend that a listing of duties be limited to position title, as it is for all Congressional employees listed in the Clerk's report. The reason for this is that the attachment of detailed duty description adds greatly to the paperwork, without adding significantly to useful information, and that information in the Clerk's Report is sufficient.

I urge you to delete the requirement in 9 (d) for a listing of total compensation of employees of LSOs, as all clerk-hire disbursements are already published in the Clerk's Report. However, if salaries are paid from sources other than clerk-hire funds, this should be reported, as there is no existing published report.

8. PROPOSED REGULATION NO. 9 (G)

For clarification, I suggest adding a phrase to indicate that a packet of information gathered at the request of a single member is not included within the reporting requirements of this proposed regulation.

9. PROPOSED REGULATION NO. 10

I suggest inserting a new reegulation following #10, addressing the matter of outside subscribers, as follows:

"11. A Legislative Service Organization may receive payments from persons, or groups outside of Congress who receive copies of written reports, analyses, etc., which the organization provides its members. However, such payments shall not exceed the amount expended for postage to mail reports to persons making such payments. For those persons or groups outside Congress receive the material on a regular basis, subscription fees may be charged annually, to be based on a record of the prior year's postage costs for such mailings."

"Annual subscriptions existing on the effective date of these regulations may be allowed to continue unchanged until their expiration."

10. PROPOSED REGULATION NO. 11

Renumber this as No. 12.

Sincerely,

RICHARD T. SCHULZE, *Chairman.*

APPENDIX 4

MEMORANDUM OF SEPTEMBER 18, 1981, SUBMITTED TO THE COMMITTEE ON HOUSE ADMINISTRATION BY THE BETTER GOVERNMENT ASSOCIATION WITH LETTER OF TRANSMITTAL

September 18, 1981

Hon. Augustus F. Hawkins,
Chairman, Committee on House Administration, U.S. House of Representatives, Washington, D.C.

Dear Mr. Chairman: The Better Government Association (BGA) recently completed a study of unofficial caucuses in the House of Representatives. The enclosed memorandum deals specifically with the problems these informal groups pose with respect to the House ethics rules.

The number of House informal groups, or special interest caucuses, has grown dramatically in recent years increasing from just three to over fifty in the short span of a decade. There seems to be widespread agreement that several of these groups provide valuable and needed legislative support services to members and their offices. Yet we believe the rapid proliferation of these groups presents troubling questions regarding the application of the House ethics code.

In 1979, the House Administration Committee enacted the first reform measure to apply specifically to special interest caucuses. Unfortunately, questions concerning the application of other House rules to these groups have not subsequently been resolved. Consequently, informal groups have operated largely outside the framework of the rules that guide the conduct of individual Members and official House groups.

As a result of their ambiguous status within the House, some special interest caucuses routinely ignore the House ethics code that was enacted in the wake of Koreagate and other Congress-related scandals. In short, this means that what legislators and their staffs were prohibited from doing as individuals, they can now do by acting as a group.

Specifically, informal House groups can receive an unlimited amount of funds from special interest lobbying groups; they have not treated the proceeds from fundraising events as campaign contributions; one caucus has received contributions from foreign governments; and caucus related institutes have accepted hundreds of thousands of dollars in non-bid grants from federal agencies. All of these activities, if conducted by a Member acting individually, would clearly be prohibited by House rules or federal law.

Additionally, the BGA has found that some caucuses have not fully complied with the Committee's order requiring informal House groups to disclose their finances. As a result, it is virtually impossible to determine the full extent to which special interest caucuses rely on outside funding and whether conflicts of interest exist among caucus staff.

The core of the problem, we believe, lies in the intermingling of congressional and special interest funds. In 1977, the House banned "slush funds" or unofficial office accounts to "build a wall between private funds and official allowances." Yet last year eight caucuses and affiliated institutes received almost $2 million in outside funds. At the same time, House-based caucuses received a congressional subsidy amounting to $1.7 million.

At the very least, this dual funding suggests dual allegiance. Consequently, we believe that the major focus of reform should begin with a clear and unambiguous distinction between those House groups which are genuine arms of Congress and its Members, and those which are extensions of the lobbying groups they represent.

Certainly reform measures should not prevent Members from pooling their resources to better deal with their districts' problems and to work collectively on issues of common concern. The recommendations that are contained in our report were designed to be constructive. They are meant to preserve the value of informal groups but remedy their abuses.

In fact, some caucuses such as the Democratic Study Group and the House Wednesday Group have consistently recognized the need for reform and have urged that Congress adopt further measures concerning informal groups. Indeed several years ago both groups voluntarily decided not to receive donations from outside interest groups. Therefore, there is no reason to believe that the reform measures we have suggested would impede informal House groups from performing a legitimate and beneficial legislative role.

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Mr. Chairman, the Committee reform measure requiring unofficial caucuses to disclose the sources of their financing was an important first step in the process of reform but further action is needed. We strongly urge the Committee to adopt measures that would prohibit the outside funding of congressionally-based groups and to bring informal groups within the reach of the House ethics rules.

Sincerely,

Peter M. Manikas,
Legislative Counsel.
J. Terrence Brunner,
Executive Director.

(Memorandum.)

INFORMAL GROUPS AND THE HOUSE ETHICS CODE

(By The Better Government Association)

SEPTEMBER 18, 1981

In recent years, members of both chambers of Congress have formed more than seventy informal or unofficial organizations—known as caucuses, coalitions, or legislative service organizations (LSO's). In the House alone, over fifty of these informal groups have emerged to speak and act on behalf of regional concerns, issue groups, or specific commercial or industrial interests. In fact, caucuses have become, in a very short time, an accepted part of the legislative process even though they exist almost entirely outside the formal structure and rules of the House.

There seems to be widespread agreement that many House caucuses provide important and beneficial legislative support functions for the members they serve. Nevertheless, there is also a growing recognition that troubling ethical and legal questions are raised by the operation of informal groups. Consequently, the Better Government Association (BGA) conducted a study of how the caucus system functions in light of the recently enacted reform rules of the House. Our investigation has focused primarily on the caucuses which have independent, full-time staffs and which, in one way or another, receive support and funding from non-congressional sources.

Our principal conclusion is that reform of the House caucus system is certainly needed. Because existing ethics rules are not being applied to caucuses, legislators and congressional staff can do collectively—through a caucus—what they would be prohibited from doing as individuals. Several caucuses, for example, receive funds directly from corporations and other organizations to help finance official duties. Many informal House groups routinely accept large cash donations from individuals "directly interested in legislation" despite a ban on gifts over $100 to individual members. Caucus fundraising and lobbying activities also operate beyond the pale of federal election campaign laws and lobbying regulations.

Apparently, caucuses have been allowed to circumvent existing rules, regulations and statutes because of their ambiguous status. In some respects, they are treated as quasi-official units of the House and provided with free office space, furniture and the use of congressional funds. But in other respects, they are treated as private organizations. Despite their location in congressional office space, for instance, several caucuses have organized as private, non-profit corporations and supplement their congressional subsidies with private funds.

For some, this ambiguous status might seem to be a virtue. It is, after all, a flexible arrangement that allows legislators to use official funds to respond to their constituents' needs. There is, we believe, some merit to that argument. Certainly reform measures should not prevent members from pooling their resources to better deal with their districts' problems and to work collectively on issues of common concern. However, as the House Commission on Administrative Review (Obey Commission) recognized in 1977, permitting such groups to operate in Congress ungoverned by any House rules is inherently troublesome. And of particular concern is the mixing of public and private funds.

In the wake of widespread publicity and public concern over potential and actual misconduct by several legislators, the House adopted strict rules regarding gifts and contributions, "slush funds," financial disclosure, use of the frank and use of official letterhead or congressional identification. These reforms are laudable, but their effect will be merely cosmetic if individual members are allowed to circumvent the rules entirely by forming a caucus.

In an important sense, current House rules already set a standard for the operation of informal House groups. Referring to House Rule XLIII, Clause 2,[1] the House ethics manual comments:

"The Select Committee on Ethics of the 95th Congress cited this provision (Rule XLIII, Clause 2) to show that a narrow technical reading of a House Rule should not overcome the "spirit" of the rule and the intent of the House in adopting the particular rule . . . Stated simply, this provision apparently means that the House Rules should be construed and applied broadly.[2]

In light of that admonition, we have outlined what we believe are the principal problem areas regarding caucus operations and discuss how they might be considered in the context of existing House rules.

SOLICITATION AND RECEIPT OF OUTSIDE FUNDS BY CAUCUSES

House Rule XLIII, Clause 4, states in part: "A member, officer, or employee of the House of Representatives shall not accept gifts . . . in any calendar year aggregating $100 or more in value, directly or indirectly, from any person . . . having a direct interest in legislation before the Congress. . . ."

The amount of outside funds received by officially approved LSO's—a projected $1.5 million this year—is on the verge of exceeding the amount contributed by the House members themselves. Three of the House caucuses actually finance their operations more through outside funding than through congressional financing. In fact, budgets of two of the caucuses are 95 percent comprised of non-congressional funds.[3] This is particularly disturbing considering that LSO's exist as mere extensions of the congressional offices. As the number of caucuses proliferates, newly formed caucuses are exploring avenues of outside funding as alternatives to the stiffening competition for congressional funds.

In 1980, at least eight caucuses or their affiliated institutes received private contributions, sometimes amounting to hundreds of thousands of dollars. Those caucuses reporting direct private subsidies included: the New England Congressional Caucus, the Congressional Travel and Tourism Caucus, the Congressional Black Caucus, the Congressional Hispanic Caucus, and Members of Congress for Peace through Law. Other caucuses receiving indirect subsidies of funds or in-kind support[4] included the Northeast-Midwest Congressional Coalition, the Congressional Clearinghouse on the Future, and the Congresswomen's Caucus. A principal reason these caucuses exist as formal organizations, in fact, is to collect private funding to support caucus legislative goals, as evidenced by the caucuses or their institutes having sought and received tax-exempt status from the Internal Revenue Service. Five caucuses now maintain a tax-exempt "action organization" status under Section 501(c)(4) of the Internal Revenue Code: the New England Congressional Caucus, Members of Congress for Peace through Law, the Congressional Travel and Tourism Caucus, the Congressional Black Caucus, and the Congresswomen's Caucus (status applied for and pending as of this year); the recently formed Federal Government Service Task Force has already begun the process of obtaining 501(c)(4) status; and one group, the Congressional Hispanic Caucus, maintains a tax-exempt eleemosynary organization status under Section 501(c)(3) of the Internal Revenue Code.

Furthermore, six caucuses are closely affiliated with research institutes which exist principally or solely to provide support services, in-kind assistance, and even direct funding to their parent caucuses, and these institutes all maintain 501(c)(3) tax-exempt status. The caucuses which have affiliated tax-exempt institutes or foundations include: the Northeast-Midwest Congressional Coalition, the Congressional Clearinghouse on the Future, the New England Congressional Caucus, the Congresswomen's Caucus, the Congressional Black Caucus, and Members of Congress for Peace through Law. The institutes of the Northeast-Midwest Congressional Coalition and the Congressional Clearinghouse on the Future maintain rent-free offices on congressional property, and the New England's institute shares private office space with its sponsoring caucus. Additionally, in 1981, the Congressional Arts Caucus started its own 501(c)(3) institute, though not located on congressional property.

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[1] "A Member, officer or employee of the House of Representatives shall adhere to the spirit and letter of the Rules of the House of Representatives and to the rules of the duly constituted committees thereof."

[2] Ethics Manual for Members and Employees of the U.S. House of Representatives, Committee on Standards of Official Conduct, 97th Congress, 1st Session, at 7.

[3] The Black and Travel and Tourism Caucuses receive over 95 percent of their funds from outside sources. The Hispanic Caucus also receives a majority of its funds from outside groups.

[4] Indirect subsidy in the form of in-kind support is defined as services provided to and exclusively for the benefit of the caucus, that the caucus would otherwise have to pay for. For example, the Northeast-Midwest Institute receives hundreds of thousands of dollars a year in federal, foundation, and corporate grants. These grants are used to finance research on legislative policy issues, the results of which are provided to the sponsoring Congressional Coalition in support of its legislative agenda.

The contributors to these caucuses include business corporations and trade associations, as well as state governments and philanthropic foundations. The actual extent of corporate or business-related gifts is unknown, since House rules (according to the House Administration Committee Order dated July 18, 1979), require disclosure only of single contributions or other kinds of income of $1,000 or more. However, according to the 1980 disclosure reports filed with the Clerk of the House, the New England Caucus received $3,000 from Northeast Petroleum Industries, one of whose top officers was instrumental in forming the caucus in 1973;[5] the Travel and Tourism Caucus received 71 contributions of $1,000 or more, from such organizations as United Air Lines, Holiday Inns, Inc., and the American Society of Travel Agents; the Hispanic Caucus received 52 contributions of $1,000 or more, from firms such as Phillip Morris, Inc., Joseph Schlitz Brewing Co., R. J. Reynolds Industries, and ITT; the Black Caucus received more than $550,000 in gifts of $1,000 or more, including, for example, $12,900 from CBS Records. Clearly, if any of these donors gave like amounts to any individual Member, the recipient congressman would be in violation of Rule XLIII, Clause 4.

The Select Committee on Ethics consistently interpreted Clause 4 very broadly, in regard to the nature of the contribution, the method by which it was received, and the definition of a "direct interest in legislation" required by the rule. The committee's definition of parties having a "direct interest in legislation," for example, was not limited merely to those employing lobbyists, or those maintaining political action committees, but instead included "any individual or organization that the member knows has a distinct or special interest in influencing or affecting the Federal legislative process which sets such individual or organization apart from the general public."[6] Moreover, the bar to gifts was held not to limited to parties with an interest in a single, specific, pending bill, but was "read broadly to include an ongoing special interest in affecting the legislative process."[7] The Committee even declared that soliciting gifts of less than $100 violated Rule XLIII, Clause 4, since it ignored the command of clause 2 of the same rule to observe the intent or "spirit" of the rules:

"A major thrust of the provisions contained in the new House Rules . . . was to severely limit the potential for Members to 'cash in' on their positions of influence for personal gain. Therefore, a limitation on outside earned income was proposed and adopted. And the proposal . . . to treat all proceeds from fundraising events as campaign contributions was also adopted. Therefore, it would appear that a proposal to solicit funds for personal use would be contrary to the 'spirit' of the House Rules." . . .[8]

Similarly, solicitation of funds by a Member's spouse violates the rules since it amounts to no more than "conducting indirectly the very activities he would be prohibited from engaging in directly."[9]

The reason the committee applied such sweeping constructions to this rule was indicated in its opinion discussing who has a "direct interest in legislation." Referring to the original Obey Commission recommendations, the ethics panel said:

". . . the clear statement of intent issued by the Commission on Administrative Review (was) that members should be 'alerted to the need to exercise care . . . in accepting gifts from all sources.' . . . Therefore, unless such a gift is from a close personal friend, it is most likely offered because of the member's position as a United States Representative".[10]

It is equally reasonable to conclude that any private cash contribution made to a caucus composed of congressmen—as compared to a gift to an individual congressman—is being made precisely because the members of the caucus are United States Representatives. The fact that such contributions are not direct, personal gratuities to the members does not dispel the appearance of a quid pro quo. As the House ethics manual explains:

"Even when no immediate or specific 'quid pro quo' is sought by a gift giver, the sense of gratitude or appreciation in the recipient-member or employee may predispose him to act more favorably towards the gift giver in some future situation or to be influenced by a sense of obligation or loyalty to his 'benefactors' and 'friends' who have done him favors".[11]

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[5] See "Washington Pressures/Business forms economic study group to support bipartisan New England Caucus," *National Journal*, Feb. 17, 1973, at 226.

[6] Advisory Opinion No. 10, Select Committee on Ethics, 95th Congress.

[7] Ibid.

[8] Advisory Opinion No. 4, Select Committee on Ethics, 95th Congress.

[9] Ibid.

[10] Advisory Opinion No. 10, Select Committee on Ethics, 95th Congress.

One caucas openly acknowledges this influence: the Travel and Tourism Caucus, which in 1980 received more than $240,000 in private donations, formally advises contributors that their gifts may be considered deductible as "ordinary and necessary" business expenses. This deduction, as governed by Internal Revenue Code regulations, is available only to those businesses making expenditures to influence legislation that directly affects their businesses.[12] Caucuses that organize as 501(c)(4) organizations, it seems, implicitly acknowledge that their main activity is lobbying on behalf of outside interests. The acknowledgement virtually formalizes the process of influence-buying or at least its appearance, and makes it tax deductible as well.

Whether this large-scale acceptance of private funding, contrary to the intent of Rule XLIII, actually results in corruption or improper influence is difficult to assess. What is clear is that the House needs to act to preserve the integrity of its institutions. The ethics manual explains:

"Regardless of any actual corruption or undue influence upon a Member or employee of Congress, the receipt of gifts, entertainment, or special favors by Members or staff from private or special interests may affect the public confidence in the integrity of the institution of the Congress as a whole, and in government in general, as well as the integrity of the individual member involved. Legitimate concerns of partiality or favoritism, or abuse of one's public position or influence, may be raised by constituents who discover that a member or his staff has been given expensive gifts by lobbyists or other representatives of special interests." [13]

MIXING OF PRIVATE AND PUBLIC FUNDS IN CAUCUS ACCOUNTS

Rule XLV states that ". . . no Member may maintain or have maintained for his use an unofficial office account. . . . (N)o funds may be paid into any unofficial office account. . . . (T)he term 'unofficial office account' means an account or repository into which funds are received for the purpose of defraying otherwise unreimbursed expenses allowable under Section 162(a) of the Internal Revenue Code of 1954 as ordinary and necessary in the operation of a congressional office, and includes any newsletter fund referred to in section 527(g) of the Internal Revenue Code. . . ."

The widespread use and abuse of "slush funds" was one of the primary problems that led the House to establish the Commission on Administrative Review (the Obey Commission). The criticisms of "slush funds" were that private funds were being used for what should be public purposes, campaign funds were being converted indirectly to personal use, and none of these accounts were subject to the constraints of the official accounting system. While most such "slush funds" presumably were not misused, Rule XLV was adopted to eliminate the possibility or appearance of misuse. The Obey Commission argued strongly that private and political funds should be kept absolutely separate from public funds:

"To suggest otherwise would be to accept or condone the continuation of the present system which, at the very least, allows for the appearance of impropriety, and, at worst, creates a climate for potential 'influence peddling' through private financing of the official expenses of Members of Congress." [14]

The intent of Rule XLV was, therefore, to "build a wall between private funds and official allowances.[15] In declaring that private donations of in-kind services were equally forbidden by the rule, the Select Committee on Ethics stressed the categorical need for segregating public and private funds:

"The Select Committee finds that no distinction can be made between in-kind and monetary contributions. Whether the private support . . . is in the form of a monetary contribution or in the form of an in-kind service is not relevant in view of the intended prohibition against the private financing of official business. Moreover, it can hardly be argued that donation of in-kind services is any less an infusion of private support for official business than is the donation of money." [16]

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[11] House Ethics Manual, at 54-55.

[12] I.R.S. Reg. Sec. 1.162-20(c).

[13] House Ethics Manual, at 55.

[14] House Document No. 95-73, Feb. 14, 1977, at 18.

[15] House Ethics Manual, at 28.

[16] Advisory Opinion No. 6, May 9, 1977, Select Committee on Ethics, 95th Congress.

However, in its final report on the implementation of the rules, the Select Committee interpreted Rule XLV as exempting caucuses and LSO's from the ban on unofficial office accounts, with this language:

"The prohibition of unofficial accounts does not apply to informal groups of Members, such as the Democratic Study Group, Congressional Black Caucus, Environmental Study Conference, and similar ad hoc caucuses which customarily raise private contributions to defray their operating expenses. Rule XLV applies only to private contributions to supplement a Member's official allowances." [17]

The Select Committee understood that a potential loophole could be created by this exemption, and went on to explain:

"Obviously, however, Members could not form a 'paper caucus' in order to circumvent the rule by raising funds for their own official purposes." [18]

No explanation was stated for why caucuses should be exempt from the application of Rule XLV. At that time there was no reason to suspect that the caucuses would evolve in such a manner that they would begin to engage in precisely the kind of private fundraising that Rule XLV had been designed to prevent.

In 1980, the House's caucuses received some $1,430,000 in clerk-hire donations and $280,000 in dues from Members' official expense allowances, totalling more than $1,709,000 in congressionally approved financing. At the same time, the nine largest caucuses and their institutes, which alone received half the entire clerk-hire funds so donated, also collected nearly two million dollars in funding from sources outside Congress.[19] (A truly accurate accounting of the public subsidy of caucuses is impossible in light of the imprecise value of such benefits as free office space, access to congressional employee benefits in some cases, furniture, and miscellaneous office support.[20]) Caucuses exist ostensibly to provide services to Members of Congress in their official duties. Some are, however, Janus-like in their dealings inside and outside Congress: when soliciting funds from private, non-congressional sources, they appear to be exclusively private lobbying or research corporations; when dealing with Congress, they present themselves as being government agencies, no more than a subdivision of the legislative bureaucracy.

This dual status subverts Rule XLV's bar to use of private funds for public purposes. If caucuses are in fact government agencies, in the form of legislative support services, then their acceptance of outside, private funding or inkind support directly undermines the reason for the rule. On the other hand, if caucuses are considered private organizations which are free to solicit private contributions, then use of their services by Members of Congress appears to violate the intent of Advisory Opinion No. 6, which bans the acceptance of in-kind contributions. At the same time, caucuses freely intermix public and private funds with no distinction made between the two; in several cases, some employees are paid from private gifts while other employees are paid from clerk-hire, and in a few instances, a single employee's salary is made up by combining clerk-hire from several Members with private donations.

Present House rules have not prevented private money in increasing amounts from flowing into Congress to finance allegedly public duties, giving all the appearance of "influence-peddling"; public and private funds are indiscriminately mixed together and accountability for use of these funds is so limited that the House has no effective oversight.

USE OF CONGRESSIONAL IDENTIFICATION IN CAUCUS MAILINGS AND PUBLICATIONS

House Rule XLIII, Clause 11, states that "A member of the House of Representatives shall not authorize or otherwise allow a non-House individual, group or organization to use the words 'Congress of the United States,' 'House of Representatives,' or 'Official Business,' or any combination of words thereof, on any letterhead or envelope."

The Committee on Standards of Official Conduct interpreted this rule in 1979, urging that the rule should be construed broadly according to its original intent—again citing Rule XLIII, Clause 2's admonition to observe the "spirit" as well as the letter of the rules. The Committee, in discussing the intent of the rule, noted:

". . . (S)ince clause 11 is intended to prohibit solicitations by private interest groups on facsimiles of congressional stationery, it would appear to be a violation of the spirit of that rule if a Member authorized a non-House group to use letterhead that did not contain the words prohibited by clause 11, but which was designed to convey the impression that it is an official communication from the Congress . . . . such use of congressional stationery facsimiles conveys the false impression that the private group is sponsored by the House of Representatives."[21]

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[17] House Report No. 95-1837, Jan. 3, 1979, at 25.

[18] *Ibid.*

[19] This two million dollars includes subscription payments for newletters and other caucus publications.

[20] For example, the Congressional Black Caucus' private audit for 1980 estimated that the value of the office space and congressionally donated services exceeded $29,000.

Thus, organizations which do not formally represent the House of Representatives should not be permitted to imply that they do. But, as with Rule XLV, an exemption was created for caucuses:

"The prohibition of clause 11 . . . would not apply . . . to the various informal member organizations or caucuses composed solely of members of Congress. These ad hoc member groups, which are quasi-official in nature . . . would not be considered 'non-House organizations' for purposes of Rule XLIII, clause 11."[22]

Despite their recognition as "quasi-official" House organizations, a few caucuses have expanded their operations to the point where private fundraising is so essential to their continued operations that it seems more accurate to regard them as special interest lobby groups than as "informal" or "ad hoc'" subdivisions of the House. For example, the Travel and Tourism Caucus, which took in more than $240,000 in industry contributions in 1980, uses stationery with the word "congressional" and the seal of the House of Representatives prominently placed. Similarly, the Black Caucus, which raised $550,000 in private gifts last year, announced its fundraising events on stationery using the word "congressional." The Hispanic Caucus, whose five members last year collected more than $115,000, publishes a regular newsletter with broad non-congressional distribution using the word "congressional" prominently in its masthead. And the New England Congressional Caucus stationery, using the word "congressional," was used to sell $100 tickets to a fundraising reception on June 12 of this year.[23]

When caucuses become financially dependent upon outside sources, they ought to be considered private organizations, and not be exempt from the applications of Rule XLIII, Clause 11. If they are to be considered official subdivisions of the House, and permitted to use official congressional identification, then it seems incumbent that all other rules that apply to the House, and its members and employees should also apply to caucuses.

In any case, permitting caucuses which receive a substantial portion of their funding from private sources to prominently identify themselves as "congressional" organizations in seeking gifts to finance legislative agendas seems clearly to violate the intent of Clause 11. The express purpose of that clause is "to prohibit special interest groups and other private organizations from using congressional letterhead for political solicitations.[24]

DISCLOSURE AND ACCOUNTING PROCEDURES

At present, the only regulation of the financial activities of caucuses is through a disclosure order issued by the House Administration Committee in 1979. The order requires caucuses receiving financial support from the House to become certified as Legislative Service Organizations, and to file a report every six months with the Clerk of the House. The report must list the names of employees, total receipts and disbursements for the period, and must itemize all receipts and disbursements of $1,000 or more.[25]

The disclosure reports are clearly inadequate. They simply do not do what any such reports are intended to do—disclose the amount of money the organization has at its disposal, reveal its sources, and identify potential conflicts of interest. Specifically: (1) many contain serious omissions and errors; (2) they do not require reporting of clerk-hire receipts or individual salaries; (3) they do not disclose fund reserves at the beginning or end of the reporting period; (4) they do not account for the finances of affiliated research institutes; and (5) not only are uniform accounting standards inappropriate or nonexistent, but the reports are apparently not audited or checked for accuracy by the Clerk of the House.

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[21] Advisory Opinion No. 5, April 4, 1979, Committee on Standards of Official Conduct, 96th Congress.

[22] *Ibid.*

[23] The invitation to this fundraiser included this advice to donors: "The New England Congressional Caucus is a tax exempt, nonprofit corporation. As contributions are not political contributions, corporate checks may be received. Contributions made by business are deductible in most cases."

[24] Advisory Opinion No. 5, April 4, 1979, Committee on Standards of Official Conduct, 96th Congress.

[25] See Minutes of the Committee on House Administration, July 18, 1979.

As a result, many disclosure reports are extremely misleading or confusing. For example, the disclosure reports of the Northeast-Midwest Coalition for 1980 stated that it had no receipts and no expenditures. In fact, it has a large staff and payroll from clerk-hire funds amounting to about $94,000 last year. It also has a companion research institute, in adjoining offices, with a large professional staff and an annual budget of approximately $450,000. The disclosure reports filed with the Clerk of the House make no mention whatever of this information.

Similarly, the disclosure reports of the Congressional Black Caucus are not only confusing and misleading but contain serious errors: The 1980 reports fail to list any disbursements for salaries, though the annual payroll was approximately $175,000. As a result, though the disclosure forms show the caucus to have a slight excess of revenue over expenditures, in fact the group apparently faced a serious deficit last year—which the caucus staff has acknowledged.

Failure to require reporting staff salaries poses an additional problem. The Ethics in Government Act of 1978 requires congressional employees to file a detailed financial disclosure if (a) their income is equivalent to that of a government employee of the grade of GS-16 or higher; or (b) they are designated principal assistants of a member.[26] Since many caucus employees earn salary from both clerk-hire funds and from other services, including Members' dues and outside donation, there is no effective way to review their salaries and determine whether they should file a disclosure statement.

Finally, a lack of uniform and appropriate accounting standards is a serious problem. Though no guidance is given to caucuses in this area, all tend to report income and disbursements, apparently, on a cash basis of accounting. Since eight caucuses and four affiliated institutes have annual incomes of more than $100,000, and two such institutes have received multi-year federal grants of several hundred thousand dollars, an accrual basis of accounting seems more appropriate. Further, since some caucuses—notably the Travel and Tourism Caucus, the Black Caucus and the Hispanic Caucus—apparently maintain very large reserves of cash and securities, disclosure reports should include an annual balance sheet, so that the amount of such assets can be a matter of public record.

RECEIPT OF FEDERAL GRANTS BY CONGRESSIONAL CAUCUSES

Three caucuses in Congress have directly or indirectly received substantial grants from executive branch agencies: the Northeast-Midwest Coalition, through its companion institute, has received a total of at least $677,000 in research grants from the Department of Housing and Urban Development and the Department of Commerce's Economic Development Administration; the New England Congressional Caucus, through its institute, has received one $348,000 grant from the Department of Energy; and the Congressional Travel and Tourism Caucus last year received a $25,000 grant from the Department of Energy.

In all three cases, these contracts were negotiated directly with the executive agencies, rather than bidding competitively for the grants; and in at least the first case, the grants were sought to finance research and policy analysis to support the caucus's legislative agenda. The other two caucuses sought funding to support energy-related conferences sponsored under their names.

Receipt of contract funds from federal executive agencies presents serious ethical and legal problems and seems to implicate the Constitution's separation of powers doctrine as well. First, the potential exists for undue influence on the decision-making process of the contract award officers in the various executive departments. Knowledge on the part of agency officials that the seeker of a research grant is, in effect, a group of congressmen—who will presumably be in the position of reviewing appropriations for that agency in the future—could very easily exert an improper influence on the grant-awarding process, even if that was not intended by the caucus or its institute. Nevertheless, it is true that for these organizations, functionally representing large groups of congressmen, to seek no-bid federal contracts creates the appearance of impropriety. No matter how fastidious the caucuses were in their quest for federal funds, merely seeking and receiving such federal grants suggests both the possible use of political pressure and the most blatant exercise of "pork barrel" favoritism.

Questions could be raised, for example, about the propriety of the Congressional Travel and Tourism Caucus seeking Department of Energy funding for a tourism industry conference on energy problems in 1980—an industry which had itself supported the caucus with $245,000 in donations that same year. DOE officials later summed up the conference as useless to the Department and recommended against approving a similar grant for this year.[27]

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[26] U.S.C. Sec. 701(e).

Second, the seeking and awarding of these contracts raises questions in regard to two federal statutes. One of the oldest statutes dealing with congressional misconduct, dating back in original form to 1808,[28] prohibits congressmen from contracting with the government,[29] and places the contracting agents in jeopardy of criminal penalty.[30] Another longstanding statute provides that federal contracts must include a provision stating that no congressmen may share in the benefits of that contract.[31]

Here, the contractual links between the federal agencies and Congress have been superficially attenuated through the creation of the caucuses and in two cases, the research institutes. Clearly, however, the caucuses and their institutes were created for no other purpose than to serve the collective needs of the legislators who are their members. This is in no way meant to imply criminal wrongdoing. Both the courts and the Justice Department have construed these statutes narrowly.[32] Furthermore, there is no evidence to indicate that any caucus members sought or received a personal financial benefit from federal contracts. Indeed, many caucus members may not even have been aware of the grants. Yet the original purpose of these laws was not merely to deter members from using their position to profit at taxpayers' expense. They were also meant to reassure the public that no possibility of such illicit profit existed. Certainly the awarding of such federal grants is susceptible to being less than an "arm's-length" transaction and should be avoided, consistent with the purpose of these federal statutes.

The third, and most troublesome, problem raised by the awarding of federal contracts to caucuses relates to the doctrine of separation of powers. This doctrine, the philosophical cornerstone of the Constitution, calls for a scrupulous separation of governmental function among the three branches. The legislature generally may not intervene in executive functions; the executive may not interfere with the independence of the legislature. There is, of course, substantial overlap in some areas of government, and some legitimate differences of opinion about whether certain matters are truly legislative or truly executive in nature. Yet, the principle itself is ironclad: Congress may not subvert the executive branch's administration of the laws, and conversely, the executive may not use its official resources—as directed and funded by Congress—to tamper with the integrity of or impede the lawmaking process.

For particular groups within the legislative branch to seek executive branch funding to help those groups pursue legislative goals is a novel—and potentially dangerous—encroachment on the principle of separated powers; it threatens to disrupt the natural "checks and balances" which result from that separation.

The danger is that congressmen on one side of a legislative issue may obtain federal funding, while those on the other side of the issue may not—thus tilting the legislative process toward the side that is able to obtain the federal money. It is troublesome enough that the funds involved were appropriated to implement legislative goals as directed by Congress, and not for the purpose of influencing future congressional decisionmaking. It is even more serious in light of the potential effect such funding has on the independence of Congress's collective judgment. On the one hand, congressmen who seek and get federal financing for their legislative agendas have an unfair advantage over their legislative opponents. On the other hand, it is conceivable that in the future the executive branch could recognize that it has a powerful tool for influencing legislation under its exclusive control. It would be a simple matter for an executive agency interested in a particular bill to approach the appropriate like-minded caucus with an offer of substantial support for their common goals—and to withhold similar support for those on the other side of the issue. As the members of Congress well know, the executive branch is already—and perhaps should be—the most powerful lobbyist in Congress on the merits of its views.

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[27] Memo to Assistant Energy Secretary Robert C. Odle, Jr., from Robert J. Griffin, Jr., May 1, 1981, obtained by the BGA through the Freedom of Information Act. The memo responded to the Travel and Tourism Caucus's seeking of sponsorship for a second tourism energy conference, and stated in part:

"The Travel and Tourism Caucus was established in 1979 to provide information to the travel and tourism industry, and to work toward solving problems that confront what is considered the third largest retail enterprise in the U.S. *The Caucus is comprised of over 200 Members of Congress*. . . .

"While (last year's) meeting was probably beneficial to participants, the consensus among DOE staff who were involved is that *it did little or nothing to* further the agency's mission. . . .

"Unless a second conference can be given a more focused agenda, and is conducted with a more specific goal in mind, *it is not worth doing*." (emphasis added)

[28] See Revised Statutes, secs. 3739–3741, April 21, 1808, 2 Stat. 484, C. 48.

[29] "Whoever, being a Member of or Delegate to Congress . . . directly or indirectly, himself, or by any other person in trust for him, or for his use or benefit, or on his account, undertakes, executes, holds, or enjoys, in whole or in part, any contract or agreement, made or entered into in behalf of the United States or any agency thereof, by any officer or person authorized to make contracts on its behalf, shall be fined not more than $3,000. . . ." 18 U.S.C. 431.

[30] "Whoever, being an officer or employee of the United States, on behalf of the United States or any agency thereof, directly or indirectly makes or enters into any contract, bargain, or agreement, with any Member of or Delegate to Congress . . . shall be fined not more than $3,000." 18 U.S.C. 432.

[31] "In every contract or agreement to be made or entered into, or accepted by or on behalf of the United States, there shall be inserted an express condition that no Member of Congress shall be admitted to any share or part of such contract or agreement, or to any benefit to arise thereupon. . . ." 11 U.S.C. 22.

[32] See discussion in House Ethics Manual, at 74–76.

The separation of powers problem is complex and double-edged: though it is a group of congressmen who indirectly initiated the encroachment by approaching executive agencies to seek funding, in fact, the branch whose independence and integrity is threatened is not the executive, but the legislative. The power of Congress to determine national policy is damaged to the extent that its decisions are "tilted" by an influx of federal money not appropriated for such by statute. Though in these cases it should properly be the executive branch's responsibility to prohibit the awarding of contracts to caucuses, the House obviously has a duty to the survival of its own integrity to act on its own and prohibit such contracts.

RECEIPT OF CONTRIBUTIONS FROM FOREIGN GOVERNMENTS

Article I, Section 9, Clause 8 of the United States Constitution forbids officials of the government, including members of Congress, from accepting gifts from foreign governments without the consent of Congress. Congress granted its consent in 5 U.S.C., sec. 7342, as amended by P.L. 95-105, only to the acceptance of such gifts as limited by regulations of the House Committee on Standards of Official Conduct. This Committee permits no member, officer or employee of the House to accept a gift of more than $100 in value, unless its refusal would cause embarrassment to the United States; and in any event, such a gift must be accepted only on behalf of the government and must be turned over to the Clerk of the House or the Committee itself within 60 days of receipt.[33]

In 1980, the Congressional Black Caucus reported receiving a contribution of $1,500 from the Embassy of Haiti. Staff members of the Caucus further acknowledged that contributions of undiscolosed amounts were also received from the government of Taiwan and the Israeli Embassy. If given to an individual member, these gifts would clearly violate House regulations, federal statutes, and the Constitution. Receipt of a gift from any foreign nation, group or person would presumably violate the provision of House Rule XLIII, Clause 4, which forbids receipt of gifts of $100 or more from foreign nationals or their agents.[34] As with the other provisions of Rule XLIII, Clause 4, the purpose of these prohibitions is to prevent the potential for impropriety, as well as to avoid the appearance of impropriety. To exempt caucuses from coverage of these rules defeats that purpose.

SUMMARY AND RECOMMENDATIONS

The explosive growth of informal groups or special interest caucuses in the House poses a serious challenge to the viability of the House ethics rules. The rules, enacted in the wake of the Koreagate scandal and other congressionally related scandals of the past decade, constitute an important step toward restoring public confidence in the legislative branch. Yet the effectiveness of these past reforms will be substantially eroded if congressionally subsidized caucuses are allowed to operate outside the formal House structure.

Considered collectively, the House ethics rules and other post-Watergate reform measures, such as the Federal Election Campaign Act and the Lobbying Disclosure Act, were designed in large measure to limit the influence of special interest money on the legislative process. Unfortunately, the intent of these past reforms has failed to stem the flow of over $1.8 million dollars in outside funds that were received by House informal groups last year alone.

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[33] Regulations of the House Committee on Standards of Official Conduct: Regulations for the Acceptance of Decorations and Gifts, including Travel or Expense for Travel, by Members, Officers, or Employees of the House of Representatives from Foreign Governments, Cong. Record, Jan. 23, 1978, H 112 (daily ed.).

[34] "A Member, officer, or employee of the House of Representatives shall not accept gifts . . . in any calendar year aggregating $100 or more in value, directly or indirectly, from any person . . . who is a foreign national (or agent of a foreign national) . . . " Rule XLIII, Clause 11(2) defines a foreign national as one "who is not a citizen of the United States and who is not lawfully admitted for permenent residence."

In short, the BGA has found that despite the warning of the House Select Committee on Ethics that a congressman should not conduct "indirectly the very activities he would be prohibited from engaging in directly," that is precisely what has occurred. By acting through caucuses, legislators and House employees have accepted gifts of over $100 from persons "directly interested in legislation"; donations derived from testimonial dinners and other fund-raising events have not been treated as campaign contributions; gifts from foreign governments have been accepted; and caucus-related institutes have received hundreds of thousands of dollars in non-bid contracts from federal agencies. All of these activities conducted by a legislator acting individually would clearly be prohibited by House rules or federal law.

There is little evidence that legislators have personally profited from these activities. However, since existing regulations that might ensure the financial accountability of informal groups are sorely lacking, such misconduct is difficult to identify. In any case, the situation appears to invite abuse and creates the appearance that some special interest groups exercise an undue influence on the legislative process.

The core of the problem, it seems, lies in the intermingling of special-interest and congressional funds. In 1977 the House banned "slush funds" or unofficial office accounts so that official legislative duties would not be financed by private funds. As the House Select Committee on Ethics phrased it, the prohibition was designed to "build a wall between private funds and official allowances." Yet the wall has begun to crumble. Special interest group donations to caucuses help finance lobbying efforts by supplementing congressionally financed caucus budgets with private money. This dual funding has created a novel creature: the caucus or informal House group which is located on congressional property, with a staff paid at least in part out of legislators' clerk-hire allowances or dues from individual Members, yet which is also partly financed by private interest groups that usually have set legislative agendas that suit their private needs. At the very least, this dual funding creates a dual allegiance. Consequently, we believe that the major focus of caucus reform ought to begin with a clear and unambiguous distinction between those House groups which are genuine arms of Congress and those which are primarily directed outward—toward the interest groups they represent.

RECOMMENDATIONS

1. In order for a congressional caucus, coalition or other informal group to receive support from the House in the form of, but not limited to, office space, furniture, telephone service, clerk-hire funds or other official allowances, the entity must be certified as a Legislative Service Organization (LSO) by the Clerk of the House.

2. No caucus or informal group certified as an LSO and authorized to receive House support may solicit or receive private funds, either directly or indirectly (as in the form of in-kind contributions) from non-congressional groups, organizations or individuals.

An LSO may, however, receive subscription payments for publications such as newsletters, legislative reports and analyses if: (1) the publications are designed as a legislative support service for Members; and (2) the subscription fee does not exceed the cost of mailing the publications.

3. No LSO may receive research grants or financial benefits of any kind from a department of the executive branch, except funds appropriated expressly for that purpose.

4. All LSO's shall comply with applicable regulations and House Rules except when specifically exempted.

5. Any LSO which is formally affiliated with a private research institute, foundation or any other private organization must submit to the House an annual audit or report on the finances and activities of that institute. An LSO will be deemed to be affiliated with such a private organization if either organization represents itself as being so affiliated; if the activities conducted by the private organization are principally designed to provide services to the LSO; if the private organization is controlled by the LSO; or if a substantial number of officers, employees, staff or others involved in the operation of the private organization are also Members or employees of the LSO.

6. Caucuses or informal groups which choose to discontinue their congressional subsidies and locate off Capitol Hill should, of course, not be permitted to operate wholly outside House rules. Existing regulations, such as financial disclosure and Rule XLV's $100 restriction on outside gifts should be applied to these groups.

APPENDIX 5

COMMITTEE ORDER APPROVED BY THE COMMITTEE ON HOUSE ADMINISTRATION ON JULY 18, 1979, RELATING TO LEGISLATIVE SERVICE ORGANIZATIONS; SEMI-ANNUAL DISCLOSURE FORMS FOR THE PERIOD JANUARY 1, 1980–DECEMBER 31, 1981

COMMITTEE ORDER PERTAINING TO LEGISLATIVE SERVICE ORGANIZATIONS

1. For purposes of this committee order, a legislative service organization is defined as any organization, committee, commission, coalition, caucus or similar group consisting in whole or in part of Members of the House, designed primarily to provide legislative services and assistance to the members of such organization, which has no official status under the Rules of the House or of the majority or minority caucuses, but receives, directly or indirectly, support from the House of Representatives and such support shall include, but not be limited to, disbursements from a Member's Clerk Hire Allowance or Allowance for Official Expenses, office space controlled by the House Office Building Commission, or furniture, supplies or equipment.

2. In the event a Member authorizes a person working for a legislative service organization to be compensated in part or in full from said Member's Clerk Hire Allowance, the Clerk of the House shall disburse salary payments to such employee only upon a monthly certification by said Member of the identification of the legislative service organization for which the employee has performed duties. This certification shall be included as part of the Member's monthly Clerk Hire Allowance certification. And, in addition, the Clerk of the House shall disburse salary payments from the Clerk Hire Allowance of said Member to such person only upon a monthly certification by the Chairman or senior House Member of the organization as to the amount of said salary, the physical location of each employee, the regular performance of official duties, the identification of said Member, and the relationship or each employee to any current Member of Congress.

3. Each legislative service organization shall submit a semi-annual report to the Clerk of the House not later than sixty days after the end of the reporting period which shall be available to the public through the Office of Records and Registration. The first such report to be due shall be for the reporting period beginning January 1, 1980 and ending June 30, 1980, and for each six month period thereafter.

(a) The name, address and officers of the organization;

(b) A summary of funds received and disbursed by such organization during the preceding semi-annum;

(c) A listing of disbursements of $1,000 or more in the aggregate and the recipient of such disbursements and a brief statement of the purpose of such disbursements made by the organization during the preceding quarter;

(d) A listing of the receipts of $1,000 or more in the aggregate and the source of such receipts received by the organization during the preceding semi-annum;

(e) A listing of the name, address and duties of all persons working for the organization and receiving compensation, either directly or indirectly, during the preceding semi-annum and the dates of their employment.

APPENDIX 6

SECTION 601 "LEGISLATIVE SERVICE ORGANIZATIONS" AND SECTION 602 "REPORTING REQUIREMENTS RELATING TO CONGRESSIONAL MEMBER ORGANIZATIONS AND LEGISLATIVE SERVICE ORGANIZATIONS" OF HOUSE RESOLUTION 766, AS REPORTED BY THE COMMITTEE ON HOUSE ADMINISTRATION

LEGISLATIVE SERVICE ORGANIZATIONS

SEC. 601. (a)(1) Any congressional Member organization which desires to be designated as a legislative service organization shall transmit an application for certification to the Committee on House Administration. Such application shall be transmitted at such times, and in accordance with such procedures, as the Committee may reasonably require. Such application shall contain such information as may be necessary to assist the Committee in making determinations under paragraph (2).

(2) The Committee shall approve any application for certification received by the Committee under paragraph (1) if—

(A) the Committee determines that—

(i) the congressional Member organization seeking such certification is designed primarily to provide legislative services and assistance to the members of such organization;

(ii) such organization has been in existence for at least 1 year with full-time employees who were compensated from the clerk hire allowances of not less than 25 Members of the House, each of whom provided at least $1,000 for such compensation during the preceding year; and

(iii) at least 23 Members certify that they receive services and assistance from such organization which are necessary in connection with the performance of their legislative responsibilities; and

(B) such organization agrees that it will not receive or accept any contribution from any source other than Members in connection with the provision of services and assistance by such organization to its members.

(3) Upon the approval of any application under paragraph (2), the Committee shall certify the organization transmitting the application as a legislative service organization. Such certification shall be transmitted to the Administrator of the House of Representatives and shall remain in effect for so long as the conditions specified in this subsection are met. Upon receipt of such certification, the Administrator shall establish an account for the use of such organization:

(b) Any Member may allocate a portion of the clerk hire allowance of such Member to the account of any legislative service organization. Any such allocation may be made on a monthly, quarterly,

(c)(1) Any funds allocated to the account of a legislative service organization from the clerk hire allowances of Members may be used only for the compensation of the employees of such organization.

(2) Any voucher for disbursement from the account of any legislative service organization shall be signed by the chairman of such organization, or by the Member of the House who is the ranking Member among the House Members of such organization if the chairman is not a Member of the House, and shall include certification that each employee compensated from the account is performing their legislative responsibilities.

(3) Any funds allocated to such account from the clerk hire allowance of any Member shall be considered to have been separated from the clerk hire allowance funds of the House and shall be available for use at any time during the year in which such transfer is made. Any funds remaining in such account at the end of such year shall be available for use during the first 6 months of the succeeding year without regard to any limitation which may otherwise prohibit, restrict, or otherwise affect the expenditure, obligation or allocation of such funds. Any such funds which are not expended or obligated by the close of such 6-month period shall cease to be available for use by the legislative service organization involved.

(4) The use of the account of any legislative service organization shall be subject to the Rules of the House of Representatives and regulations of the Committee relating to the use of such allocated funds:

(d) The Administrator shall maintain records of allocations made by any Member under subsection (b) and of amounts received by legislative service organizations as a result of any such allocation.

(e) The provisions of this section shall take effect on January 3, 1978.

REPORTING REQUIREMENTS RELATING TO CONGRESSIONAL MEMBER ORGANIZATIONS AND LEGISLATIVE SERVICE ORGANIZATIONS

SEC. 602. (a) Each congressional Member organization and each legislative service organization shall submit an annual report to the Committee. Each such annual report shall include—

(1) the name and address of the organization;

(2) the purpose of the organization;

(3) the number of Members of the House and the number of Members of the Senate who were members of the organization or who paid the organization for service during the preceding year;

(4) the number of persons, other than Members of the House and Members of the Senate, who were members of the organization and the number of such persons who paid the organization for services during the preceding year;

(5) the amount(s) the organization charged for membership therein and the amount(s) the organization charged for research services during the preceding years;

(6) a description of any services and assistance provided by the organization during the preceding year;

(7)(A) a summary of funds received and disbursed by such organization during the preceding year;

(B) in the case of a congressional Member organization, a listing of the name, address, and occupation of each person who has made contributions of $100 or more, in the aggregate, to such organization during the preceding year, including the total amount of contributions by each such person; and

(C) a listing of disbursements of $100 or more in the aggregate, made by such organization during the preceding year, including the purpose and recipient of each such disbursement;

(8) the name of each individual employed by the organization during the preceding year who received compensation for such employment from the clerk hire allowance of any Member, and the dates of such employment;

(9) in the case of a legislative service organization, certification from at least 23 Members of the House that they received services and assistance from such organization during the preceding year which were necessary in connection with the performance of their legislative responsibilities; and

(10) such other information as the Committee may reasonably require.

(b) Employees of a congressional Member organization or legislative service organization shall not be entitled to compensation from the clerk hire allowances of Members unless each office of the organization is located in Washington, District of Columbia.

(c) The chairman of each congressional Member organization, or the Member of the House who is the ranking member among the House Members of such organization if the chairman is not a Member of the House, shall transmit a report to the Administrator no later than 10 days after the close of each calendar month. Each such report shall—

(1) specify by name all employees of the organization who received compensation during the preceding month from the clerk hire allowances of Members; and

(2) certify that such employees are performing assigned duties designed to assist Members in fulfilling their official responsibilities.

Such certification shall be in addition to the certification submitted by individual Members who are compensating such employees under their clerk hire allowance in any month.

(d) The Committee shall issue an annual report which shall include the following—

(1) the records maintained by the Administrator under section 601(d) for the period covered by such report; and

(2) the name of each employee of each congressional Member organization and each legislative service organization, and the amount of compensation each employee received from the clerk hire allowances of Members and from the account of the legislative service organization during the period specified in paragraph (1).

(e) The provisions of this section shall take effect on January 3, 1978.

APPENDIX 7

RECOMMENDATIONS OF THE COMMISSION ON ADMINSTRATIVE REVIEW RELATING TO AD HOC GROUPS OF THE HOUSE OF REPRESENTATIVES, SEPTEMBER 23, 1977*

The House should require that the various ad hoc groups who receive House funds should be held accountable for the spending of public monies. Toward this end, the House should take the following actions:

a. Require that any ad hoc group of Members using publicly financed resources of the House of Representatives or Members thereof (e.g., clerk-hire to pay staff, office space, office equipment, etc.) and which also receives financial assistance or in-kind support from sources outside of the House of Representatives shall file by December 31 of each year a report containing the following information: the name of the organization; the name of the chairman; the names of all staff personnel; the purpose of the organization and the types of activities engaged in by the staff; the number of Members who are members of the group or who receives services therefrom; a list of all receipts and expenditures in excess of $100 per year; and the name, address, and occupation of all persons and organizations making contributions or contributions-in-kind in excess of $100 per year.

b. Stipulate that only ad hoc groups of Members which have their offices in the immediate Washington area shall be eligible to use clerk-hire funds. Addresses of offices not in House buildings must be filed with the groups' annual reports.

c. Establish accounts under the control of the chief financial officer of the House into which Members may transfer on a monthly, quarterly, semiannual or annual basis a portion of their clerk-hire allowance to pay the staff of those groups which desire to be and are certified as "Legislative Service Organizations" in accordance with the following provisions:

1. Certification as Legislative Service Organization shall be limited to groups which meet the following criteria:

(i) The group shall have been in existence for at least one year with a full-time staff whose salaries were entirely paid from the clerk-hire allowance of not less than 25 Members, each of whom shall have provided at least $1,000.

(ii) The group shall provide Members with legislative research services on a regular basis and at least 25 Members shall certify annually that the services they receive from the group are needed to carry out their legislative responsibilities.

(iii) The Committee on House Administration shall review the applications of groups which seek certification as Legislative Service Organizations, shall certify those groups which meet the above criteria, and shall authorize the Finance Office to accept clerk-hire transfers for such organizations in accounts established for that purpose. Such certification shall be withdrawn if annual review by the Committee on House Administration reveals that the group no longer meets the criteria set forth above or in subparagraph (2) which follows:

2. Certified Legislative Service Organizations shall be prohibited from accepting contributions or contributions-in-kind from sources outside the House of Representatives.

3. Certified Legislative Service Organizations shall be permitted to expend clerk-hire funds transferred to the account in their name for payment of staff salaries only, at any time within six months after such funds are transferred to said account.

4. All disbursements from such accounts shall be subject to regulations established by the Committee on House Administration and by House rules relating to use of Members' clerk-hire. They shall be certified by the chairman of such group who must be a Member of the House (or by the senior House Member, should the chairman be a Member of the Senate).

5. The Finance Office shall maintain appropriate records of all clerk-hire funds transferred to said account by Members of the House and such information and the payroll of each Legislative Service Organization shall

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*Excerpted from Final Report of the Commission on Administrative Review (H. Doc. 95-272), pp. 687-689.

be published quarterly along with the payroll of individual Members, committees, and other entities of the House of Representatives.

6. Groups qualifying as Legislative Service Organizations shall comply with the reporting requirements set forth in Recommendation No. 10a.

7. Groups which could qualify as Legislative Service Organizations but which do not seek such certification and those groups which do not qualify may continue to operate as they currently do; however, provisions set forth in 10a, 10b, and 10d would apply to them.

d. Require that the chairman of an ad hoc group, not covered in (c) above, which uses clerk-hire allowance to pay staff shall certify monthly that such staff employees are performing legitimate work designed to assist Members in carrying out their official responsibilities. Such certification would be in addition to certification forms signed by individual Members who carry staff employees of the group on their clerk-hire payroll.

RATIONALE

The reporting requirements for non-official groups and caucuses would insure that they are held accountable for the public funds they spend. All would be required to report their receipts and expenditures. In addition, since the staff of ad hoc groups typically do not in fact work under the direct supervision of the Member who is carrying them on his or her payroll, the proposed changes in reporting and certification would reflect the reality of the situation by placing the main burden of responsibility for the activity of such staff of the chairman of the ad hoc group which actually employs the staff member. They would also result in more accurate reporting of both Members' and non-official group staff. At present, the staff of all non-official groups are reported as personal staff aides of individual Members. This procedure overstates the number of personal aides for Members, and prevents proper recordkeeping and identification of staff employees of such groups. Under the proposed changes, all non-official groups would report their staff members. In addition, staff of Legislative Service Organizations would no longer be listed by Members as personal staff aides.

This recommendation, however, deals somewhat differently with the major non-official groups. Presently, ad hoc groups, such as the Democratic Study Group and the Wednesday Group, perform important information, research, and other services for Members. Nonetheless, their staffs are on many Member payrolls and the number of slots and amount of salary funds Members have available can vary significantly from month to month. Certification and subsequent operation as a Legislative Service Organization will thus permit greater stability and effectiveness in the office operations of both Members and major ad hoc groups. At the same time, this recommendation forbids groups certified as Legislative Service Organizations from receiving contributions in funds or in-kind from sources outside the House. This restriction is proposed for the same reason that the Commission previously recommended that unofficial office accounts be forbidden. If ad hoc groups are formally certified and granted certain advantages by such status, the segregation between official and non-official funds should be maintained.

This recommendation would not increase either the amount of clerk-hire allowance or the number of clerk-hire slots authorized for Member offices. However, Members will be able to contribute salary funds, without using slots, for groups which qualify to have their own accounts.

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Legislative Service Organizations
Semi-Annual Report

Due Not Later Than 60 Days After the Close of the Reporting Period

Period Covered: ____________ To ____________

Name of Organization ____________

Address ____________

Officers ____________

RECEIPTS

SUMMARY: (Total funds received this period)........ $____________

ITEMIZATION: Funds received aggregating $1,000 or more in the period from any one source

SOURCE	AMOUNT

DISBURSEMENTS

SUMMARY: (Total funds disbursed this period)........ $____________

ITEMIZATION: Funds disbursed aggregating $1,000 or more in the period to any one source

RECIPIENT	PURPOSE	AMOUNT

use additional sheet, if necessary

EMPLOYEE INFORMATION REQUIRED ON REVERSE SIDE

[illegible] GPO

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Best Available Copy

Legislative Service Organizations
Semi-Annual Report
— Employee Information —

[INCLUDE ALL EMPLOYEES WORKING FOR THE ORGANIZATION AND RECEIVING COMPENSATION, EITHER DIRECTLY OR INDIRECTLY]

NAME	ADDRESS [1]	DUTIES [2]	DATES OF EMPLOYMENT [3]	NAME	ADDRESS [1]	DUTIES [2]	DATES OF EMPLOYMENT [3]

use additional sheet, if necessary

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[1] Address: Indicate city or county and state.

[2] Duties: Indicate JOB TITLE or give a brief description of responsibilities.

[3] Dates of Employment: Indicate dates only if other than the complete 6-month period covered by the report.

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Washington, D.C. 20515

Signed: ______________________________
(Chairman or Ranking House Member)

Date: ______________________________, 19____

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